

City of Homer, Alaska

Basic Financial Statements, Required Supplementary Information,
Supplementary Information, and Government Auditing Standards Report

Year Ended December 31, 2018



City of Homer

www.cityofhomer-ak.gov

City of Homer, Alaska

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Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Homer, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Homer, Alaska, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise City of Homer's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Homer, Alaska, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, in 2018 the City of Homer adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 16, the budgetary comparison schedules on pages 64 and 65, and the schedules of the city's information on the net pension and OPEB liability and City contributions to the pension and OPEB plans on pages 66-69, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Homer's basic financial statements. The accompanying combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Homer as of and for the year ended December 31, 2017 (not presented herein), and have issued our report thereon dated September 24, 2018, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended December 31, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2017.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2019 on our consideration of City of Homer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Homer's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
October 10, 2019

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Management's Discussion and Analysis

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2018

The City of Homer management offers readers financial statements, narrative overview, and analysis of the financial activities of the City of Homer for the fiscal year ending December 31, 2018. Readers are encouraged to read this narrative in conjunction with the City's financial statements, which follow this *section*.

Financial Highlights

- The assets and deferred outflows of resources of the City of Homer exceeded its liabilities and deferred inflows of resources on December 31, 2018, by \$134,609,903 (Net Position). Of this amount, unrestricted net position of \$6,308,726 may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased by \$689,319 from current year activity. For the fiscal year, governmental type activities increased by \$931,761 and business type activities decreased by \$242,442.

As of December 31, 2018, the City's governmental funds reported combined ending fund balances of \$23,387,707, an increase of \$2,530,323 from the prior year. A combination of factors contributed to the increase, but primarily due to an increase in property taxes and an overall decrease in spending. The Gas-Line Capital Project fund resulted in an increase of \$432,344 to the fund balance; The HART-Road Capital Project fund resulted in a decrease of \$576,391 to the fund balance; the Utility (Water & Sewer) Special Revenue fund increased by \$307,749; the General fund balance decreased by \$51,948; all other Non-Major fund balances have a net increase of \$2,418,569.

- At the end of the current year, the fund balance for the General fund was \$7,155,081. Of this amount, \$6,425,584 was unassigned and available for future use.
- At year-end, the City of Homer's outstanding governmental debt totaled \$25,328,751. Business-type debt outstanding was \$5,929,197. These figures include both external debt (bonds, loans, capital leases) as well as accrued leave and net pension and OPEB liability.

Overview of the Financial Statements

This annual report is comprised of four segments as dictated by Generally Accepted Accounting Principles (GAAP): Management's Discussion and Analysis (this section), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the City of Homer.

- Government-wide financial statements provide both long-term and short-term information about the City's overall condition in a summary format.
- Fund financial statements focus on individual parts of Homer's government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements explain how general government services like public safety were financed in the short-term as well as what remains for future spending.

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2018

- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the port and harbor fund.

The financial statements also include *notes*, which elaborate on some of the information in the basic financial statements that provide more detailed data. The notes to the basic financial statements are followed by a section of required supplementary information that includes budgetary comparison schedules and net pension, and OPEB schedules. In addition to these required elements, we have included other supplementary information such as the individual and combining fund financial statements and schedules.

Illustration A-1			
Major Features of City of Homer's Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government	The activities of the City that are not proprietary, such as police, fire, public works, and water/sewer utility	Activities the City operates similar to private businesses, such as port & harbor
Required financial statements	*Statement of net position *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balance	*Statement of net position *Statement of revenues, expenses and changes in net position *Statement of cash flows
Accounting basis and measurement focus	Accrual accounting	Modified accrual accounting and current financial resources focus	Accrual accounting
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2018

Illustration A-1 summarizes the major features of the City's financial statements. The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Homer's finances in a manner similar to a private-sector business. These statements can be located as listed in the table of contents of this document.

- The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may indicate the improvement or deterioration of the City's financial position.
- The statement of activities presents information showing how the City's net position changed during the concluded fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements of the City are divided into two categories:

- Governmental activities - These are functions such as public safety and public works services that are principally supported by taxes and intergovernmental revenue.
- Business-type activities - These functions are intended to recover all or a significant portion of their costs through user fees and charges. The City's port & harbor system falls within this category.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Homer, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2018

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Homer maintains twenty one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. Individual fund data for each of the non-major funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and Utility Special Revenue Fund. Budgetary comparison statements are provided for these funds to demonstrate compliance with the budgets.

Proprietary Funds - Services for which the City charges customers a fee are generally reported in the proprietary funds. Proprietary funds provide the same type of information as the government-wide statements, only in more detail. The City of Homer maintains two different types of proprietary funds.

- Enterprise funds - Are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses one enterprise fund to account for its port & harbor system.
- Internal service funds - Are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its health benefits and accrued leave cash-outs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents of this report. Please note, the following financial analysis is reported in thousands.

Government-wide Financial Analysis

At the close of the 2018 fiscal year, the City's net position (assets exceeding liabilities) totaled \$134,610 (see Table A-1). Of this amount \$120,481, or 90%, represents the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. Because the City of Homer uses these capital assets to provide services to the community, these assets are not available for future spending. The remaining amounts of net position are labeled as restricted or unrestricted.

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2018

The restricted balance of \$7,502 in the governmental activities is for capital projects and bond reserve. The total unrestricted amount totals \$8,602 and is available to meet the City's ongoing obligations to citizens and creditors.

The following schedule provides a summary of the City's net position:

**Table A-1
City of Homer's Net Position
(Amounts reported in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current assets	\$ 33,931	\$ 33,673	\$ 1,945	\$ 1,953	\$ 35,876	\$ 35,626
Capital assets	81,096	82,700	52,461	53,074	133,557	135,774
Total Assets	115,027	116,373	54,406	55,027	169,433	171,400
Deferred outflows	1,399	678	277	141	1,675	819
Total Assets and Deferred Outflows	116,426	117,051	54,683	55,168	171,109	172,219
Liabilities						
Noncurrent liabilities	25,328	24,909	5,930	5,685	31,258	30,594
Other liabilities	2,591	2,430	1,481	1,515	4,072	3,945
Total Liabilities	27,919	27,339	7,411	7,200	35,330	34,539
Deferred inflows	976	988	193	205	1,169	1,193
Total Liabilities and Deferred Inflows	28,895	28,327	7,604	7,405	36,499	35,732
Net Position						
Net investment in capital assets	71,427	71,708	49,054	49,797	120,481	121,505
Restricted	7,502	7,281	-	-	7,502	7,281
Unrestricted	8,602	9,235	(1,975)	(2,034)	6,627	7,701
Total Net Position	\$ 87,531	\$ 88,724	\$ 47,079	\$ 47,763	\$ 134,610	\$ 136,487

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2018

**Table A-2
City of Homer's Changes in Net Position
(Amounts reported in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues						
Charges for services	\$ 5,303	\$ 6,582	\$ 4,758	\$ 4,308	\$ 10,061	\$ 10,890
Operating grants and contributions	1,384	855	50	45	1,434	900
Capital grants and contributions	313	710	409	252	722	962
General Revenues						
Property taxes	3,526	3,509	-	-	3,526	3,509
Sales taxes	7,657	7,948	-	-	7,657	7,948
Other	322	621	74	49	396	670
Total Revenues	18,505	20,225	5,291	4,654	23,796	24,879
Expenses						
General government	3,059	3,051	-	-	3,059	3,051
Public safety	4,254	4,111	-	-	4,254	4,111
Public works	3,802	4,045	-	-	3,802	4,045
Library	1,028	1,026	-	-	1,028	1,026
Airport	253	248	-	-	253	248
Community services	93	253	-	-	93	253
Water and sewer	4,286	4,196	-	-	4,286	4,196
Unallocated interest	332	392	-	-	332	392
Port and harbor	-	-	5,996	6,512	5,996	6,512
Total Expenses	17,107	17,322	5,996	6,512	23,103	23,834
Increase (decrease) in net position before transfers and special item	\$ 1,398	\$ 2,903	\$ (705)	\$ (1,858)	\$ 693	\$ 1,045

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2018

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Transfers	\$ (463)	\$ (318)	\$ 463	\$ 318	\$ -	\$ -
Special item	(3)	(2)	-	-	(3)	(2)
Increase (Decrease) In Net Position	932	2,583	(242)	(1,540)	690	1,043
Net Position, beginning	88,724	86,141	47,763	49,303	136,487	135,444
Change in accounting principle	(2,125)	-	(442)	-	(2,567)	-
Net Position, beginning, as restated	86,599	86,141	47,321	49,303	133,920	135,444
Net Position, ending	\$ 87,531	\$ 88,724	\$ 47,079	\$ 47,763	\$ 134,610	\$ 136,487

As reflected in Table A-2, the City's beginning net position in 2018 was restated to reflect the adoption of the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The City's net position increased by \$690. Revenues exceeded expenses in the governmental activities by \$932 and in the business-type activities expenses exceeded revenues by \$242. Key elements of the increases and decreases follow:

- Revenues in the governmental activities decreased by \$1,720 in 2018 from 2017. This is mainly due to a decrease of \$1,279, \$397, and \$291 in charges for services, capital grants and contributions, and sales tax, respectively.
- Expenses in the governmental activities decreased by \$215 in 2018 from 2017. This is mainly due to a decrease of \$243 in public works and \$160 in community services being offset by an increase of \$143 in public safety.
- Revenues in the business-type activities increased by \$637 in 2018 from 2017. This is mainly due to an increase in charges for services of \$450.
- Expenses in the business-type activities also decreased by \$516 in 2018 from 2017.
- Sales Taxes reflect a decrease from 2017. This breakdown shows the Sales Taxes by fund to receive them. Changes in sales tax dollars from 2018 to 2017 are as follows:

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2018

Sales Taxes	2018	2017	Change
Fund			
General	\$ 6,413	\$ 6,640	\$ (227)
Utility (Water & Sewer – HAWSP)	1,244	1,308	(64)
Total	\$ 7,657	\$ 7,948	\$ (291)

Financial Analysis of the Governmental Funds

Governmental funds - The focus of the City of Homer's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending following the end of the fiscal year.

As of December 31, 2018, the City's governmental funds reported combined ending fund balances of \$23,388, an increase of \$2,530 compared to balances a year earlier. Of the ending balance, \$5,494, or 23% is unassigned. Most of the remaining fund balance is restricted for Roads \$7,309, Special Service District \$192, committed for police station construction \$957, or assigned for future capital projects and other purposes \$8,437; and non-spendable in the form of inventory, inter-fund loan and prepaid items \$999. The increase of total fund balance during the year is attributed to:

- General fund excess of revenues over expenditures of \$2,224.
- Utility Special Revenue Fund's fund balance increased by \$308. This is mainly due to transfers in of \$211.
- Special assessments in the Gas Line Capital Project fund in excess of debt service of \$682.

Government Funds (General and Utility Special Revenue) Budgetary Highlights

- General Fund Revenue:
 - Final Budget and Original Budget excluded community assistance program revenue from the State of Alaska and incoming grant funding.
 - Property tax revenue and airport revenue experienced an increase over the Final Budget.
- General Fund Expenditures: Final Budget was in line with original and actual expenditures were below Final Budget by \$486.
- Utility Fund Expenditures and Revenue: Final Operating Budget and original budget excluded intergovernmental and special assessments revenues and their corresponding expenditures. The net change in fund balance exceeded the final budget by \$496.

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2018

Capital Asset and Debt Administration

Capital assets - As detailed in Table A-3 below, the City of Homer's investment in capital assets for its governmental and business-type activities as of December 31, 2018, totals \$133,558 (net of accumulated depreciation). This amount represents a \$2,216 decrease over the previous year.

**Table A-3
City of Homer's Capital Assets (net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 11,559	\$ 11,526	\$ 15,805	\$ 15,254	\$ 27,364	\$ 26,780
Construction in progress	844	833	583	285	1,427	1,118
Buildings	51,716	51,715	16,381	16,381	68,097	68,096
Improvements other than buildings	53,518	53,518	53,701	53,041	107,219	106,559
Machinery and equipment	16,597	16,307	3,163	3,395	19,760	19,702
Infrastructure	37,056	35,602	-	-	37,056	35,602
Accumulated depreciation	(90,193)	(86,801)	(37,172)	(35,282)	(127,365)	(122,083)
Total Capital Assets	\$ 81,097	\$ 82,700	\$ 52,461	\$ 53,074	\$ 133,558	\$ 135,774

Major Capital Asset Events During the 2018 Year Included

Capital Projects Completed

Governmental Funds:

- Sound View Pedestrian Safety Improvements
- Frisbee Court Paving
- Greatland Street Improvement

Port & Harbor (Enterprise Fund):

- Harbor Master Lights

On-Going Projects

Governmental Funds:

- Quiet Creek Tank Piping
- Homer Sewer Plant HVAC replacement

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2018

Port & Harbor (Enterprise Fund):

- Harbor Ramp 2 Restrooms
- Barge Mooring Haul Out Repair Facility

Additional information on the City's capital assets can be found in Note 5 to the basic financial statements.

**Table A-4
City of Homer's Debt**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Notes payable - utility	\$ 9,612	\$ 10,908	\$ -	\$ -	\$ 9,612	\$ 10,908
Capital Leases	58	85	-	-	58	85
Special assessment bond with government commitment	3,560	4,076	-	-	3,560	4,076
General obligation bond payable	-	-	3,060	3,200	3,060	3,200
Unamortized bond premium	-	-	346	371	346	371
Total	13,230	15,069	3,406	3,571	16,636	18,640
Net pension liability	9,478	9,126	1,878	1,894	11,356	11,020
Net OPEB liability	1,940	-	385	-	2,325	-
Compensated absences	681	714	260	220	941	934
Total Long-term Debt	\$ 25,329	\$ 24,909	\$ 5,929	\$ 5,685	\$ 31,258	\$ 30,594

Long-term liabilities - At the end of the 2018 year, the City of Homer had total debt outstanding of \$16,636 as detailed in Table A-4. This excludes \$11,356 related to net pension liability, \$2,325 related to the net OPEB liability, and \$941 related to the compensated absences.

The notes payable listed under Notes Payable Utility are used to add water and sewer lines and services to areas. Additionally, the new water treatment plant was built utilizing a loan. Loans are received through Alaska Department of Environmental Conservation for 20-year periods at 1.5% interest. The majority of the loans are repaid by the property owner through "SAD" (Special

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2018

Assessment District). The remaining portion of the loans are paid back by the City of Homer with designated sales tax revenues.

Additional information on the City's Long-term liabilities can be found in Note 6 to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The State's fiscal situation remains uncertain. However, it's expected that the City of Homer revenue and expenditure activities will remain stable and comparable to 2018.

The Water and Sewer Utility Fund remains vulnerable because of a basic fundamental flaw. The City owns an expensive and expansive treatment, collection and distribution infrastructure and very few customers to pay for maintenance and operations. Priority should be placed on infill and hooking up customers where the infrastructure has already been installed. It is debatable if expanding the system into new, less densely populated areas is a net drain on the system as with those new customers comes increased miles of pipe to maintain.

Requests for Information

This financial report is designed to provide a general overview of the City of Homer's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Finance Department
City of Homer
491 E. Pioneer Ave. Homer, Alaska 99603
Telephone: (907) 235-8121 [email: finance@ci.homer.ak.us](mailto:finance@ci.homer.ak.us)

Basic Financial Statements

City of Homer, Alaska

Statement of Net Position

December 31, 2018	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	\$ 22,654,824	1,466,421	24,121,245
Receivables, net of allowance for doubtful accounts:			
Accounts	224,737	242,443	467,180
Sales and property taxes	586,958	-	586,958
State and federal grants and loans	176,564	233,305	409,869
Assessments	7,869,467	-	7,869,467
Other	120,614	-	120,614
Internal balances	345,965	(345,965)	-
Inventory	482,852	13,419	496,271
Prepaid items	198,628	45,403	244,031
Restricted cash and investments	1,270,000	290,100	1,560,100
Capital assets not being depreciated:			
Land and land improvements	11,559,401	15,804,641	27,364,042
Construction work in progress	844,254	582,682	1,426,936
Other capital assets, net of accumulated depreciation	68,692,882	36,073,669	104,766,551
Total Assets	115,027,146	54,406,118	169,433,264
Deferred Outflows of Resources:			
Related to pensions	825,258	163,549	988,807
Related to OPEB	573,311	113,617	686,928
Total Deferred Outflows of Resources	1,398,569	277,166	1,675,735
Total Assets and Deferred Outflows of Resources	\$ 116,425,715	54,683,284	171,108,999
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities			
Accounts payable	\$ 487,643	237,029	724,672
Enstar FMA refunds	1,750,182	-	1,750,182
Accrued payroll and related liabilities	152,560	21,434	173,994
Accrued interest payable	106,181	11,790	117,971
Prepaid rentals and deposits	55,609	1,031,144	1,086,753
Unearned revenue	2,774	18,000	20,774
Unearned grant revenue	35,708	-	35,708
Unearned lease revenue	-	162,000	162,000
Noncurrent liabilities:			
Due within one year:			
Accrued leave	569,000	96,000	665,000
Notes payable	868,943	-	868,943
Capital lease	30,794	-	30,794
General obligation bonds payable	-	145,000	145,000
Special assessment bond payable with government commitment to Kenai Peninsula Borough	537,126	-	537,126

See accompanying notes to basic financial statements.

City of Homer, Alaska

Statement of Net Position, continued

December 31, 2018	Governmental Activities	Business-type Activities	Total
Liabilities, Deferred Inflows of Resources, and Net Position, continued			
Liabilities, continued			
Due in more than one year:			
Accrued leave	\$ 112,349	164,321	276,670
Notes payable	8,742,731	-	8,742,731
Capital lease	27,516	-	27,516
General obligation bonds payable including bond premium	-	3,261,150	3,261,150
Special assessment bond payable with government commitment to Kenai Peninsula Borough	3,022,691	-	3,022,691
Net pension liability	9,477,714	1,878,282	11,355,996
Net OPEB liability	1,939,885	384,444	2,324,329
Total Liabilities	27,919,406	7,410,594	35,330,000
Deferred Inflows of Resources:			
Pension related	237,872	47,141	285,013
OPEB related	737,856	146,227	884,083
Total Deferred Inflows of Resources	975,728	193,368	1,169,096
Net Position			
Net investment in capital assets	71,426,553	49,054,842	120,481,395
Restricted for:			
Roads and trails	7,309,180	-	7,309,180
Special service district	192,622	-	192,622
Unrestricted (deficit)	8,602,226	(1,975,520)	6,626,706
Total Net Position	87,530,581	47,079,322	134,609,903
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 116,425,715	54,683,284	171,108,999

See accompanying notes to basic financial statements.

City of Homer, Alaska
Statement of Activities
Year Ended December 31, 2018

<i>Function/Program</i>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	
Governmental Activities							
General government	\$ 3,058,629	869,253	108,668	313,323	(1,767,385)	-	(1,767,385)
Public safety	4,253,671	246,280	755,116	-	(3,252,275)	-	(3,252,275)
Public works	3,802,388	181,114	36,997	-	(3,584,277)	-	(3,584,277)
Library	1,028,019	-	29,276	-	(998,743)	-	(998,743)
Airport	253,350	203,822	1,850	-	(47,678)	-	(47,678)
Community services	93,497	38,063	-	-	(55,434)	-	(55,434)
Water	2,689,498	1,933,636	209,875	-	(545,987)	-	(545,987)
Sewer	1,596,660	1,830,887	242,220	-	476,447	-	476,447
Unallocated interest	331,731	-	-	-	(331,731)	-	(331,731)
Total Governmental Activities	17,107,443	5,303,055	1,384,002	313,323	(10,107,063)	-	(10,107,063)
Business-type Activities							
Port and harbor	5,995,722	4,757,908	50,398	409,138	-	(778,278)	(778,278)
Total	\$ 23,103,165	10,060,963	1,434,400	722,461	(10,107,063)	(778,278)	(10,885,341)
General Revenues							
Property taxes					\$ 3,525,635	-	3,525,635
Sales taxes					7,657,478	-	7,657,478
Grants and entitlements not restricted to a specific purpose					50,307	62,069	112,376
Investment income					271,143	11,284	282,427
Transfers					(462,483)	462,483	-
Total General Revenues and Transfers					11,042,080	535,836	11,577,916
Special Item - construction of gas pipeline on behalf of third parties					(3,256)	-	(3,256)
Change in Net Position					931,761	(242,442)	689,319
Beginning Net Position, as restated (Note 14)					86,598,820	47,321,764	133,920,584
Ending Net Position					\$ 87,530,581	47,079,322	134,609,903

See accompanying notes to basic financial statements.

City of Homer, Alaska

Governmental Funds
Balance Sheet

	Major Funds					Total Governmental Funds
	General	Utility Special Revenue	Gas Line Capital Project	HART Roads Capital Project	Nonmajor Funds	
December 31, 2018						
Assets						
Cash and investments	\$ 5,355,651	3,475,019	444,356	6,111,698	7,184,161	22,570,885
Receivables, net of allowance:						
Accounts	-	224,737	-	-	-	224,737
Property taxes	114,979	-	-	-	-	114,979
Sales taxes	393,314	78,665	-	-	-	471,979
Assessments	-	3,773,816	3,498,168	-	597,483	7,869,467
State and federal grants	133,772	-	-	-	42,792	176,564
Other	119,843	-	-	-	771	120,614
Interfund loans	339,710	-	-	-	6,255	345,965
Due from other funds	896,181	-	-	-	-	896,181
Inventory	42,108	440,744	-	-	-	482,852
Prepaid items	176,365	22,263	-	-	-	198,628
Restricted cash and investments	-	-	1,270,000	-	-	1,270,000
Total Assets	\$ 7,571,923	8,015,244	5,212,524	6,111,698	7,831,462	34,742,851
Liabilities						
Accounts payable	\$ 142,083	68,923	-	72,027	204,556	487,589
Accrued payroll and related liabilities	132,898	19,662	-	-	-	152,560
Unearned revenue	-	-	-	-	2,774	2,774
Unearned grant revenue	19,383	-	-	-	16,325	35,708
Customer deposits	17,404	38,205	-	-	-	55,609
Enstar FMA refunds	-	-	1,750,182	-	-	1,750,182
Due to other funds	-	-	896,181	-	-	896,181
Total Liabilities	311,768	126,790	2,646,363	72,027	223,655	3,380,603
Deferred Inflows of Resources						
Deferred property taxes	105,074	-	-	-	-	105,074
Deferred assessments	-	3,773,816	3,498,168	-	597,483	7,869,467
Total Deferred Inflows of Resources	105,074	3,773,816	3,498,168	-	597,483	7,974,541
Total Liabilities and Deferred Inflows of Resources	416,842	3,900,606	6,144,531	72,027	821,138	11,355,144
Fund Balances						
Nonspendable	558,183	463,007	-	-	-	1,021,190
Restricted	-	-	-	6,039,671	1,462,131	7,501,802
Committed	-	-	-	-	956,541	956,541
Assigned	171,314	3,651,631	-	-	4,591,652	8,414,597
Unassigned (deficit)	6,425,584	-	(932,007)	-	-	5,493,577
Total Fund Balances (Deficit)	7,155,081	4,114,638	(932,007)	6,039,671	7,010,324	23,387,707
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,571,923	8,015,244	5,212,524	6,111,698	7,831,462	34,742,851

See accompanying notes to basic financial statements.

City of Homer, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
December 31, 2018

Total fund balances for governmental funds		\$ 23,387,707
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
These assets, net of accumulated depreciation consist of:		
Land and land improvements	\$ 11,559,401	
Construction in progress	844,254	
Buildings	51,715,487	
Improvements other than buildings	53,517,863	
Machinery and equipment	16,597,074	
Infrastructure	37,055,664	
Accumulated depreciation	<u>(90,193,206)</u>	
Total Capital Assets		81,096,537
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Delinquent property taxes receivable	105,074	
Special assessments not yet due	<u>7,869,467</u>	
Total Other Long-term Assets		7,974,541
Internal service funds are used by the City to charge the cost of certain activities, such as insurance, to individual funds. A portion of the assets and liabilities of the internal service funds is included in the governmental activities in the Statement of Net Position.		
		83,885
Long-term liabilities, including notes payable, bonds payable, and accrued leave, are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:		
Accrued interest	(106,181)	
Note payable to Kenai Peninsula Borough	(3,559,817)	
Notes payable	(9,611,674)	
Capital leases	(58,310)	
Accrued leave	(681,349)	
Net pension liability	(9,477,714)	
Net OPEB liability	<u>(1,939,885)</u>	
Total Long-term Liabilities		(25,434,930)
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time.		
Deferred outflows of resources related to pensions	825,258	
Deferred outflows of resources related to OPEB	573,311	
Deferred inflows of resources related to pensions	(237,872)	
Deferred inflows of resources related to OPEB	<u>(737,856)</u>	
Total Deferred Pension Items		<u>422,841</u>
Total Net Position of Governmental Activities		<u>\$ 87,530,581</u>

See accompanying notes to basic financial statements.

City of Homer, Alaska

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)

Year Ended December 31, 2018	Major Funds					Total Governmental Funds
	General	Utility Special Revenue	Gas Line Capital Project	HART Roads Capital Project	Nonmajor Funds	
Revenues						
Property taxes	\$3,493,713	-	-	-	28,917	3,522,630
Sales and use taxes	6,412,983	1,244,495	-	-	-	7,657,478
Permits and licenses	46,814	-	-	-	-	46,814
Intergovernmental	941,257	47,782	-	-	334,992	1,324,031
Charges for services	1,971,793	3,692,778	-	-	-	5,664,571
Special assessments	-	543,600	1,089,019	-	140,179	1,772,798
Investment income	64,372	35,810	28,739	64,323	77,899	271,143
Fines and forfeitures	15,980	-	-	-	-	15,980
Donations	-	-	-	-	4,804	4,804
Other	-	-	-	-	14,484	14,484
Total Revenues	12,946,912	5,564,465	1,117,758	64,323	601,275	20,294,733
Expenditures						
Current:						
General government	3,013,262	-	-	-	15,141	3,028,403
Public safety	4,148,352	-	-	-	-	4,148,352
Public works	2,425,687	-	-	-	-	2,425,687
Library	852,197	-	-	-	-	852,197
Airport	189,505	-	-	-	-	189,505
Community services	94,000	-	-	-	-	94,000
Water	-	2,003,790	-	-	-	2,003,790
Sewer	-	1,494,291	-	-	-	1,494,291
Debt service:						
Principal	-	892,157	516,428	-	29,928	1,438,513
Interest	-	153,551	165,730	-	1,878	321,159
Capital outlay	-	923,589	-	640,714	738,471	2,302,774
Total Expenditures	10,723,003	5,467,378	682,158	640,714	785,418	18,298,671
Excess of Revenues Over (Under) Expenditures	2,223,909	97,087	435,600	(576,391)	(184,143)	1,996,062
Other Financing Sources (Uses)						
Transfers in	14,576	210,662	-	-	5,084,801	5,310,039
Transfers out	(2,290,433)	-	-	-	(2,482,089)	(4,772,522)
Net Other Financing Sources (Uses)	(2,275,857)	210,662	-	-	2,602,712	537,517
Special Item - construction of gas pipeline on behalf of third parties	-	-	(3,256)	-	-	(3,256)
Net Change in Fund Balances	(51,948)	307,749	432,344	(576,391)	2,418,569	2,530,323
Beginning Fund Balances (Deficit)	7,207,029	3,806,889	(1,364,351)	6,616,062	4,591,755	20,857,384
Ending Fund Balances (Deficit)	\$7,155,081	4,114,638	(932,007)	6,039,671	7,010,324	23,387,707

See accompanying notes to basic financial statements.

City of Homer, Alaska

**Reconciliation of the Change in Fund Balances of Governmental Funds
to Statement of Activities
Year Ended December 31, 2018**

Net change in fund balances - total governmental funds	\$ 2,530,323
The change in net position reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which depreciation (\$3,784,057) exceeded capital outlays (\$2,180,174).	(1,603,883)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of the decrease in other long-term assets.	(1,557,869)
Repayment of the principal of the long-term debt (\$1,434,683) consumes current financial resources in governmental funds. This transaction has no effect on the net position.	1,434,683
Accrued interest on long-term debt is not reported in the funds until the liability matures. This is the increase in accrued interest payable.	(6,742)
Forgiveness of long-term debt is reported as contribution revenue in the Statement of Activities.	404,313
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Decrease in accrued leave	\$ 32,059
Increase in net pension liability and related deferred accounts	546,581
Increase in net OPEB liability and related deferred accounts	<u>21,095</u>
	599,735
Internal service funds are used by management to charge the cost of health insurance and accrued leave cash-outs to individual funds. A portion of the net income of these activities is reported with governmental activities.	<u>(868,799)</u>
Change in Net Position of Governmental Activities	<u>\$ 931,761</u>

See accompanying notes to basic financial statements.

City of Homer, Alaska

Proprietary Funds
Statement of Net Position

<i>December 31, 2018</i>	Major Enterprise Fund Port of Homer	Internal Service Funds
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 1,426,146	\$ 124,214
Accounts receivable, net of allowance for doubtful accounts	242,443	-
State and federal grants receivable	233,305	-
Inventory	13,419	-
Prepaid items	45,403	-
Total Current Assets	1,960,716	124,214
Noncurrent Assets		
Capital assets not being depreciated:		
Land and land improvements	15,804,641	-
Construction work in progress	582,682	-
Other capital assets, net of accumulated depreciation	36,073,669	-
Restricted cash and investments	290,100	-
Total Noncurrent Assets	52,751,092	-
Total Assets	54,711,808	124,214
Deferred Outflows of Resources:		
Pension related	163,549	-
OPEB related	113,617	-
Total Deferred Outflows of Resources	277,166	-
Total Assets and Deferred Outflows of Resources	\$ 54,988,974	\$ 124,214

See accompanying notes to basic financial statements.

City of Homer, Alaska
 Proprietary Funds
 Statement of Net Position, continued

December 31, 2018	Major Enterprise Fund Port of Homer	Internal Service Funds
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 237,029	\$ 54
Accrued payroll and related liabilities	21,434	-
Accrued leave	96,000	-
Accrued interest payable	11,790	-
General obligation bonds payable	145,000	-
Prepaid berth rentals and deposits	1,031,144	-
Unearned lease revenue	18,000	-
Interfund loans	66,939	-
Total Current Liabilities	1,627,336	54
Noncurrent Liabilities, Net of Current Portion		
Unearned lease revenue	162,000	-
Interfund loans	279,026	-
Accrued leave long term	164,321	-
General obligation bonds payable including bond premium	3,261,150	-
Net pension liabilities	1,878,282	-
Net OPEB liabilities	384,444	-
Total Noncurrent Liabilities	6,129,223	-
Total Liabilities	7,756,559	54
Deferred Inflows of Resources:		
Pension related	47,141	-
OPEB related	146,227	-
Total Deferred Inflows of Resources	193,368	-
Net Position		
Net investment in capital assets	49,054,842	-
Unrestricted (deficit)	(2,015,795)	124,160
Total Net Position	47,039,047	124,160
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 54,988,974	\$ 124,214
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	40,275	
Net Position of Business-type Activities	\$ 47,079,322	

See accompanying notes to basic financial statements.

City of Homer, Alaska

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended December 31, 2018	Major Enterprise Fund Port of Homer	Internal Service Funds
Operating Revenues		
Port and harbor charges for services	\$ 4,424,035	\$ -
Interfund charges	-	1,860,244
Employee health contributions	-	173,958
Total Operating Revenues	4,424,035	2,034,202
Operating Expenses		
Operations	2,521,571	181,960
Administration	1,159,651	25,360
Depreciation	2,208,536	-
Employee incentive fees	-	110,988
Insurance premiums	-	1,558,692
Total Operating Expenses	5,889,758	1,877,000
Operating income (loss)	(1,465,723)	157,202
Nonoperating Revenues (Expense)		
Investment income	11,284	-
Interest expense	(131,965)	-
State PERS relief	50,398	-
Other income	118,995	-
Cruise ship tax	214,878	-
Fish tax	62,069	-
Total Nonoperating Revenues (Expense)	325,659	-
Income (loss) before transfers and capital contributions	(1,140,064)	157,202
Transfers in (out)	462,483	(1,000,000)
Capital contributions	409,138	-
Change in net position	(268,443)	(842,798)
Beginning Net Position, as restated (Note 14)	47,307,490	966,958
Ending Net Position	47,039,047	\$ 124,160
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	26,001	
Change in Net Position of Business-type Activities	\$ (242,442)	

See accompanying notes to basic financial statements.

City of Homer, Alaska
Proprietary Funds
Statement of Cash Flows

Year Ended December 31, 2018	Major Enterprise Fund Port of Homer	Internal Service Funds
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 4,488,496	\$ -
Receipts from interfund services provided and employee contributions	-	2,034,202
Payments to suppliers	(1,810,444)	-
Payments to employees	(1,960,032)	(292,948)
Payments for insurance, claims, and administration	-	(1,583,998)
Net cash flows from (for) operating activities	718,020	157,256
Cash Flows from (for) Noncapital Financing Activities		
Transfers in (out)	462,483	(1,000,000)
Net cash flows from (for) noncapital financing activities	462,483	(1,000,000)
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(145,000)	-
Interest paid on long-term debt	(156,691)	-
Capital contributions received	31,534	-
Cruise ship tax and fish tax received	276,947	-
Acquisition of property, plant and equipment	(1,590,068)	-
Decrease in interfund loan	300,000	-
Increase in interfund loan	(93,928)	-
Net cash flows from (for) capital and related financing activities	(1,377,206)	-
Cash Flows from Investing Activities		
Investment income received	11,284	-
Net Decrease in Cash and Investments	(185,419)	(842,744)
Beginning Cash and Investments	1,901,665	966,958
Ending Cash and Investments	\$ 1,716,246	\$ 124,214
Reconciliation of Cash to Statement of Net Position		
Unrestricted cash and investments	\$ 1,426,146	\$ 124,214
Restricted cash and investments	290,100	-
Total Cash and Investments	\$ 1,716,246	\$ 124,214

See accompanying notes to basic financial statements.

City of Homer, Alaska
Proprietary Funds
Statement of Cash Flows, continued

Year Ended December 31, 2018	Major Enterprise Fund Port of Homer	Internal Service Funds
Reconciliation of Operating Loss to Net Cash		
Flows from (for) Operating Activities		
Operating loss	\$ (1,465,723)	\$ 157,202
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	2,208,536	-
Noncash expense - PERS relief	50,398	-
Increase in allowance for doubtful accounts	60,045	-
Amortization of deferred lease revenue	(18,000)	-
Miscellaneous nonoperating revenues and expense, net	118,995	-
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(162,524)	-
Inventory	(2,060)	-
Prepaid items	(27,720)	-
Deferred outflows of resources related to pensions	(22,854)	-
Deferred outflows of resources related to OPEB	(92,001)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	71,781	54
Accrued payroll and related liabilities	8,000	-
Accrued leave	31,354	-
Prepaid berth rentals and deposits	65,945	-
Net pension liability	(15,960)	-
Net OPEB liabilities	79,571	-
Deferred inflows of resources related to pensions	(158,022)	-
Deferred inflows of resources related to OPEB	(11,741)	-
Net Cash Flows from Operating Activities	\$ 718,020	\$ 157,256

See accompanying notes to basic financial statements.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2018

1. Summary of Significant Accounting Policies

Organization and Services Provided

The City of Homer, Alaska was incorporated March 31, 1964 as a first-class city and operates under a Council-Manager form of government. The City provides the full range of municipal services as provided for by Alaska Statute. This includes police and fire protection, ambulance and emergency medical service, water and wastewater service, library, parks and recreation, public improvements, planning and zoning, port and harbor, airport facilities, and general administrative services.

Scope and Presentation

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

Reporting Entity

The City has reviewed the standards established by the Governmental Accounting Standards Board (GASB) and determined that the City has no component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2018

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers all revenues except reimbursement grants to be available if they are collected within 60 days after year end. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only to the extent they have matured.

Property and sales taxes, charges for services, intergovernmental revenues, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue in the current period. Most other revenue items are considered to be measurable and available only when received by the government.

The City reports the following major funds:

Major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

The *Utility Special Revenue Fund* accounts for the activities of the water and sewer facility operations including collection and treatment of sewage, and distribution and transmission of water.

The *Gas Line Capital Project Fund* accounts for all activities related to the construction of the gas line.

The *HART Roads Capital Project Fund* accounts for operating grants and capital improvement projects for streets and sidewalks.

Major proprietary fund:

The *Port of Homer Enterprise Fund* accounts for all activities related to the operation of the City's port and harbor.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2018

The City also reports Internal Service Funds which account for the activities relating to the City's self-insured health benefit plan and accrued leave cash-outs. These funds report revenues charged to the other funds based on estimated amounts to cover actual costs of benefits.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are allocated administration fees and charges between the enterprise fund and the various other funds and departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. In addition, general revenues include all taxes (including the City's restricted sales taxes), investment income, and State entitlement revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Port of Homer Enterprise Fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenues reported in the Utility Special Revenue Fund are comprised primarily of user charges for services. However, the fund also receives significant funding from sales tax. Lesser amounts are reflected from grants and local assessments. All revenues reported in the fund are committed to the Utility service, including operations, maintenance, and debt service.

Budgets and Budgetary Accounting

The City Council is required to pass an appropriation ordinance for the General Fund and Utility Special Revenue Fund which becomes the expenditure budget for each fund for the fiscal year. The City Council may pass subsequent supplemental appropriations which are added to the expenditure budget. Expenditures may not legally exceed the fund appropriations. The City Manager may transfer amounts between departments within a fund or between cost centers within a department's budget classification. Appropriations on annual budgets lapse at year-end. The City's legally prescribed budgetary basis of accounting differs with generally accepted accounting principles in that it did not budget any PERS relief payments and, accordingly, where budgetary data are presented, the City reports a budgetary to GAAP basis reconciliation. Budget and actual information conform to the same basis of accounting. The City's expenditures for the Utility Special Revenue Fund exceeded the final budget amounts due to Capital outlay in excess of \$473,089.

Encumbrance accounting is employed during the year under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as appropriate constraints of fund balance if they meet the definitions and criteria described later in these footnotes.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

Cash and Investments

A central treasury is used to account for all the City's cash and investments to maximize interest income. Investment earnings are allocated to various funds based on average central treasury balances.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents as the demand deposits and all investments maintained in the central treasury, regardless of maturity period, since the various funds use the central treasury essentially as a demand deposit account. Investments are recorded at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes

Property taxes are a lien on the assessed value of taxable property as of January 1. Pursuant to Alaska Statute, Title 29.45.240, the City establishes the mill rate levy by June 15. The City is located within the Kenai Peninsula Borough, which acts as the City's agent in the billing and collection of property taxes. Tax bills for one-half of the taxes are mailed prior to July 1 and are payable on August 15; tax bills for the second half of the taxes are mailed by October 1 and are payable on November 15. City property tax revenues in the fund financial statements are recognized in the fiscal year in which they are collectible and available (collected within sixty days after year-end) to finance expenditures of the fiscal period.

At December 31, the delinquent real and personal taxes not currently available are reflected as deferred inflows of the General Fund.

Unbilled Service Revenues

Utility revenues are based on cycle billings rendered monthly to customers. As a result of this cycle billing method, the utilities do not accrue revenues at the end of any fiscal period for services sold but not billed at such date. The Port of Homer bills annual moorage charges in advance, which are presented as unearned revenue at year-end.

Inventory

Inventory of the Enterprise Fund is carried at average cost and is charged to expense in accordance with the consumption method of accounting for inventory.

Supplies or materials acquired by the Utility Special Revenue fund are recorded at cost (specific identification) and are charged as expenditures as used in accordance with the consumption

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

method of accounting for inventory. All other governmental fund types use the purchase method of accounting for inventory. Accordingly, reported inventory for governmental fund types are equally offset by nonspendable fund balance.

Prepaid Items

Prepaid items primarily represent costs of insurance and similar services allocated to succeeding periods and rents paid in advance of the period to which they apply. The City's policy is to charge such costs to the period benefited. Accordingly, reported prepaid items for governmental fund types are equally offset by nonspendable fund balance.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire the asset with equivalent service potential in an ordinary market transaction at the acquisition date. In the case of the initial capitalization of infrastructure assets, the City chose to include all such items, regardless of their acquisition date.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings	15-45
Improvements other than buildings	3-45
Machinery and equipment	3-25
Infrastructure	10-50

Accrued Leave

The City allows employees to accumulate earned, but unused personal leave benefits up to a maximum accumulation of 720 hours. All personal leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured (e.g. the employee has terminated employment).

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2018

Long-term Debt

In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount, as applicable.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of fund balances comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the City Council—the government’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use through ordinance. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2018

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Comparative Data

Comparative data for the prior year has been presented in some of the individual fund statements in order to provide an understanding of the changes in the financial position and operations of the City. Certain amounts in the prior year data have been reclassified to conform to the current year's presentation.

Deferred Outflows/Inflows

In addition to assets, the statement of the net position reports a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of pension and OPEB related items. These items are amortized resulting in additional expense in future periods.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of pension and OPEB related items. These items are amortized resulting in a reduction of expense at a later date.

Pensions and OPEB

For purpose of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows, liabilities, and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

2. Cash and Investments

The City of Homer utilizes a central treasury that is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet as "cash and investments" or in the case of "negative cash," is included in "due to other funds."

Reconciliation of Deposit and Investment Balances

The following is a reconciliation of the City's deposit and investment balances to the financial statements as of December 31, 2018.

Bank deposits	\$ 40,638
Investments	25,640,707
Total Cash and Investments	\$ 25,681,345

Cash and investments	\$ 24,121,245
Restricted cash and investments	1,560,100
Total Cash and Investments	\$ 25,681,345

Restricted cash and investments primarily represent funds set aside for capital projects, including unspent bond proceeds, interest earnings, refunds from utility corporations, or mandatory bond reserve accounts.

General Investments

Investment Policy

The City's investment policy authorizes investment in the following:

1. U.S. Treasury securities – 5 years;
2. Other obligations of the U.S. Government, its agencies and instrumentalities – five years;
3. Repurchase agreements of acceptable securities listed in (1) or (2) above which meet a margin requirement of 102%;
4. Units of the Alaska Municipal League Investment Pool;
5. Certificates of deposit and other deposits that are collateralized;
6. Uncollateralized deposits to the extent that the deposits are insured by the FDIC or FSLIC;
7. Taxable bonds or notes; graded AA or higher by Moody's or S&P – five years;
8. Commercial paper; graded P1 or higher by Moody's or A1 or higher by S&P – five years;
9. Bankers' acceptances; rated at least AA by Moody's or S&P; and
10. Money market mutual funds.

Investments in taxable bonds and notes, commercial paper, or bankers' acceptances must meet a minimum rating as determined by Moody's Investor Services or Standard and Poor's.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Aside from the investment policy stated above, the City has no specific policy with respect to interest rate risk. Investment maturities at December 31, 2018 are as follows:

<i>Investment Type</i>	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 - 5	5 - 10
Federal Farm Credit Bank Bonds	\$ 1,473,756	\$ 319,478	1,154,278	-
Resolution FDG Corp Bonds	3,776,205	-	3,776,205	-
Federal National MTG Assn. Bonds	2,952,052	2,952,052	-	-
Total Subject to Interest Rate Risk	8,202,013	\$ 3,271,530	4,953,483	-
Certificates of deposit	7,039,448			
Pooled investments (AMLIP)	9,148,413			
Money market	1,250,833			
Total Investments	\$ 25,640,707			

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy specifies the types of investments which can be purchased, in order to limit credit risk, as described above. All of the U.S. government agency investments are rated AAA by Standard and Poor's.

Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool which is rated AAAM by Standard and Poor's for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the Pool. The law sets forth numerous requirements regarding authorized investments and reporting. At December 31, 2018, the share value of investments in the AML pool is approximately equal to fair value.

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has investments in money market funds and certificates of deposits totaling \$8,290,281 that are not held at fair value, but instead recorded at amortized cost, as of December 31, 2018. The City's investment in AMLIP is measured at net asset value, as of December 31, 2018. Management believes that these values approximate fair value. All government securities are Level 2.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

3. Accounts Receivable, Valuation Allowances, Deferred Inflows and Unearned Revenues

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful accounts. At December 31, 2018, receivables for the City's individual major funds and nonmajor in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General	Utility Special Revenue	Gas Line Capital Project	Port of Homer Enterprise	Nonmajor Funds	Totals
Receivables:						
Accounts	\$ 146,670	241,538	-	336,172	-	724,380
Sales taxes	393,314	78,665	-	-	-	471,979
Property taxes	123,698	-	-	-	-	123,698
State and federal grants and loans	133,772	-	-	233,305	42,792	409,869
Special assessments	-	3,773,816	3,498,168	-	597,483	7,869,467
Other	339,710	-	-	-	7,026	346,736
Total receivables	1,137,164	4,094,019	3,498,168	569,477	647,301	9,946,129
Less allowance for uncollectibles	(35,546)	(16,801)	-	(93,729)	-	(146,076)
Net Receivables	\$ 1,101,618	4,077,218	3,498,168	475,748	647,301	9,800,053

At December 31, 2018, the various components of *deferred inflows of resources and unearned revenue* reported in the governmental funds were as follows:

Deferred Inflows of Resources

Delinquent property taxes receivable – General Fund	\$ 105,074
Special assessments not yet due:	
Nonmajor Special Revenue Fund	597,483
Utility Special Revenue Fund	3,773,816
Gas Line Capital Project Fund	3,498,168
Total Deferred Inflows of Resources	\$ 7,974,541

Unearned Revenue

Grant drawdowns prior to meeting all eligibility requirements:	
General Fund	\$ 19,383
Nonmajor Funds	19,099
Total Unearned Revenue	\$ 38,482

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

4. Interfund Balances and Transfers

A schedule of interfund balances and transfers for the year ended December 31, 2018 follows:

Transfers

From General Fund to:	
Utility Special Revenue Fund	\$ 210,662
Nonmajor governmental funds	1,617,288
Port of Homer Enterprise Fund	462,483
From nonmajor governmental funds to:	
General Fund	14,576
Nonmajor Governmental Funds	2,467,153
From Internal Service Fund to nonmajor governmental funds	1,000,000
Total Transfers to Other Funds	\$ 5,772,522

Interfund transfers are routinely recorded throughout the year. In 2018, transfers from the general fund are to fund capital depreciation reserves and operating subsidies. Transfers from nonmajor governmental funds to the general fund were to pay off debt and to other nonmajor funds were for the police station capital project. At December 31, 2018, an interfund balance of \$896,181 was owed from the Gas Line Capital Project Fund to the General Fund.

Interfund Loan

In 2011, the City underwent an extensive energy audit with the goal of identifying areas for energy savings and efficiencies. Numerous minor upgrades or repairs were conducted in this effort. Most of these costs were funded by fund balances set aside in the prior year along with grant funds. The City approved and recorded an interfund loan from the Energy Revolving Loan Capital Project Fund to the Port of Homer Enterprise Fund in the amount of \$29,294 to fund a portion of the Port related upgrades. The Port will repay the loan in \$3,291 annual installments over nine years. The loan had a balance of \$6,255 as of December 31, 2018.

In 2014, the General Fund loaned \$300,000 to the Port of Homer Enterprise Fund in order to complete the financing package related to the Port and Harbor Building upgrade project. The loan is due in annual payment of \$63,648 including interest at 2% per year payable over five years. At December 31, 2018 the outstanding balance was \$65,948.

In 2018, the General Fund loaned \$300,000 to the Port of Homer Enterprise Fund in order to purchase land from the Alaska Mental Health Trust Authority. The loan is due in annual payment of \$30,000 plus interest at 3% per year payable over ten years. At December 31, 2018 the outstanding balance was \$273,762.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

5. Capital Assets

Capital asset activity for the year ended December 31, 2018 follows:

Governmental Activities	Balance January 1, 2018	Additions and Reclas- sifications	Deletions and Reclas- sifications	Balance December 31, 2018
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 11,525,986	33,415	-	11,559,401
Construction in progress	833,486	1,472,648	(1,461,880)	844,254
Total assets not being depreciated	12,359,472	1,506,063	(1,461,880)	12,403,655
<i>Capital assets being depreciated:</i>				
Buildings	51,715,487	-	-	51,715,487
Improvements other than buildings	53,518,282	12,100	(12,519)	53,517,863
Machinery and equipment	16,306,618	669,761	(379,305)	16,597,074
Infrastructure	35,601,534	1,454,130	-	37,055,664
Total assets being depreciated	157,141,921	2,135,991	(391,824)	158,886,088
Less accumulated depreciation for:				
Buildings	31,139,617	878,744	-	31,139,617
Improvements other than buildings	25,926,887	1,464,973	(12,519)	27,379,341
Machinery and equipment	11,110,834	481,029	(379,305)	11,212,558
Infrastructure	18,623,635	959,311	-	19,582,946
Total accumulated depreciation	86,800,973	3,784,057	(391,824)	90,193,206
Total assets being depreciated, net	70,340,948	(1,648,066)	-	68,692,882
Governmental Activities				
Capital Assets, net	\$ 82,700,420	(142,003)	(1,461,880)	81,096,537

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

	Balance January 1, 2018	Additions and Reclas- sifications	Deletions and Reclas- sifications	Balance December 31, 2018
Business-type Activities				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 15,254,041	550,600	-	15,804,641
Construction in progress	284,585	845,857	(547,760)	582,682
Total assets not being depreciated	15,538,626	1,396,457	(547,760)	16,387,323
<i>Capital assets being depreciated:</i>				
Buildings	16,380,648	-	-	16,380,648
Improvements other than buildings	53,041,899	708,209	(48,313)	53,701,795
Machinery and equipment	3,395,318	38,168	(269,912)	3,163,574
Total assets being depreciated	72,817,865	746,377	(318,225)	73,246,017
Less accumulated depreciation for:				
Buildings	9,785,290	379,261	-	10,164,551
Improvements other than buildings	22,419,694	1,764,408	(48,313)	24,135,789
Machinery and equipment	3,077,053	64,867	(269,912)	2,872,008
Total accumulated depreciation	35,282,037	2,208,536	(318,225)	37,172,348
Total capital assets being depreciated, net	37,535,828	(1,462,159)	-	36,073,669
Business-Type Activities				
Capital Assets, net	\$ 53,074,454	(65,702)	(547,760)	52,460,992

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2018

Depreciation expense was charged to the functions as follows for the year ended December 31, 2018:

Governmental Activities

General government	\$	169,539
Public safety		387,094
Public works		1,161,355
Library		224,322
Airport		70,551
Parks and recreation		280,536
Water utility		1,053,824
Sewer utility		436,836

Total Depreciation Expense – Governmental Activities	\$	3,784,057
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Business-type Activities

Port and harbor	\$	2,208,536
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The Port of Homer Enterprise Fund received a building from the State of Alaska in 1993 in exchange for the use of land by the State Ferry System until the year 2031. The building houses the Port Maintenance Shop. The value of the building and related unearned revenue is as follows:

Original cost assigned to building	\$	630,000
Revenue recognized on cumulative basis		(450,000)
	\$	180,000
Current unearned revenue	\$	18,000
Noncurrent unearned revenue		162,000
Total Unearned Lease Revenue	\$	180,000

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

6. Long-term Liabilities

The following is a summary of long-term liability transactions of the City for the year ended December 31, 2018:

Governmental Activities	Balance January 1, 2018	Additions	Retired	Balance December 31, 2018	Due Within One Year
Notes payable:					
\$3,462,403 2002 Sewer Utility Alaska Clean Water loan, due in annual installments of \$121,973 plus interest at 1.5% through August 18, 2025	\$ 975,778	-	121,977	853,801	121,973
\$3,389,321 2002 Water Utility Alaska Drinking Water loan, due in annual installments of \$143,078 plus interest at 1.5% through August 18, 2025	1,144,620	-	143,074	1,001,546	143,078
\$1,591,733 2012 Sewer Utility Alaska Clean Water loan, due in annual installments of \$67,356 plus interest at 1.5% through August 6, 2032	1,204,342	-	261,365	942,977	67,356
\$1,086,870 Sewer Utility Alaska Clean Water loan, due in annual installments of \$54,344 plus interest at 1.5% through November 14, 2034	923,838	-	54,342	869,496	54,344
\$2,023,006 2012 Water Utility Alaska Drinking Water loan, due in annual installments of \$117,832 including interest at 1.5% through August 18, 2032	1,572,253	-	94,248	1,478,005	95,661

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

Governmental Activities	Balance January 1, 2018	Additions	Retired	Balance December 31, 2018	Due Within One Year
\$8,000,000 (maximum) 2006 Water Utility Alaska Drinking Water loan, due in annual installments of \$364,001, plus interest at 1.5% through December 28, 2029	\$ 4,368,018	-	364,002	4,004,016	364,002
\$255,000 (maximum) Water Utility Alaska Drinking Water due in annual principal installments of \$9,546 plus interest at 1.5% through March 1, 2037	190,925	-	9,546	181,379	9,546
\$817,000 (maximum) Water Utility Alaska Drinking Water loan, due in annual installments of \$4,994 including interest at 1.5% through March 1, 2037	85,739	-	7,458	78,281	3,708
\$600,000 (maximum) Water Utility Alaska Drinking Water loan, due in annual installments of \$25,781 including interest at 1.5% through March 1, 2028	442,630	-	240,457	202,173	9,275
\$12,359,388 special assessment bond payable to the Kenai Peninsula Borough in eight equal principal and interest payments beginning September 1, 2016, interest at 4% through September 1, 2024. Additional principal payments made in 2016 based on early assessment collections.	4,076,246	-	516,429	3,559,817	537,126

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

Governmental Activities	Balance January 1, 2018	Additions	Retired	Balance December 31, 2018	Due Within One Year
Capital Leases:					
\$149,599 dump truck capital lease payable in equal monthly installments of \$2,650 including interest through September 2020	\$ 84,408	-	26,098	58,310	30,794
Accrued leave	713,408	559,354	591,413	681,349	569,000
Net pension liability	9,126,304	351,410	-	9,477,714	-
Net OPEB liability	1,468,676	471,209	-	1,939,885	-
Total Governmental Activities Long-Term Liabilities	\$ 26,377,185	1,381,973	2,430,409	25,328,749	2,005,863

All of the Utility Special Revenue Fund water and sewer charges and connection fees have been pledged for the repayment of the Alaska Drinking Water and Alaska Clean Water loans.

Business-type Activities	Balance January 1, 2018	Additions	Retired	Balance December 31, 2018	Due Within One Year
\$3,375,000 Series 2013 Harbor General Obligation Bonds, due in annual installments of \$145,000- \$280,000 plus interest at 2% through June of 2033.	\$ 3,200,000	-	140,000	3,060,000	145,000
Unamortized bond premium	370,876	-	24,726	346,150	-
Accrued leave	220,436	125,766	85,881	260,321	96,000
Net pension liability	1,894,242	-	15,960	1,878,282	-
Net OPEB liability	304,873	79,571	-	384,444	-
Total Business-type Activities Long-Term Liabilities	\$ 5,990,427	205,337	266,567	5,929,197	241,000

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

Annual debt service requirements to maturity for long-term debt, and the loans not yet in repayment status, exclusive of accrued leave follow:

Governmental Activities <i>Year Ending December 31,</i>	Notes Payable			Special Assessment Bond Payable (KPB Loan)		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 868,835	146,131	1,014,966	537,126	145,032	682,158
2020	870,463	131,143	1,001,606	559,009	123,149	682,158
2021	872,116	118,086	990,202	581,784	100,374	682,158
2022	873,793	105,003	978,796	605,487	76,671	682,158
2023	875,496	91,897	967,393	630,155	52,003	682,158
2024-2028	3,608,764	273,895	3,882,659	646,256	26,329	672,585
2029-2033	1,484,032	62,459	1,546,491	-	-	-
2034-2037	158,175	4,722	162,897	-	-	-
	\$ 9,611,674	933,336	10,545,010	3,559,817	523,558	4,083,375

Annual debt service requirements to maturity for the bonds follow:

Business-type Activities <i>Year Ending December 31,</i>	G. O. Bonds Payable		
	Principal	Interest	Total
2019	\$ 145,000	141,475	286,475
2020	150,000	136,300	286,300
2021	160,000	130,100	290,100
2022	165,000	123,600	288,600
2023	170,000	116,900	286,900
2024-2028	1,000,000	447,500	1,447,500
2029-2033	1,270,000	165,000	1,435,000
	\$ 3,060,000	1,260,875	4,320,875

The City acquired a dump truck under a capital lease agreement. The asset has a recorded cost of \$185,996 and a net book value (net of depreciation) at December 31, 2018 of \$111,578. The asset has an expected useful life of 10 years.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

Future minimum payments under the capital lease agreement is as follows:

Governmental Activities <i>Year Ending December 31,</i>	Capital Leases Payable		
	Principal	Interest	Total
2019	\$ 30,794	1,112	31,806
2020	27,516	335	27,951
	\$ 58,310	1,447	59,757

In 2013, the City entered into a loan agreement with the Kenai Peninsula Borough to borrow up to \$12,700,000 for the design and construction of natural gas distribution improvements in the City. Concurrent with the issuance of the loan with the Borough, the City issued a \$12,700,000 natural gas distribution special assessment bond. The bond proceeds are to be used for the design and construction of natural gas distribution improvements in the City. After completion of the project, the City will establish an assessment district. This bond will be repaid from amounts to be levied against the property owners benefited by this construction in the assessment district. Those amounts, including interest, are 100 percent pledged to pay the scheduled principal and interest payments on the special assessment bonds. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received.

At December 31, 2014, the City had drawn \$12,359,388 on the loan to cover substantial completion of the project. In 2015, the City levied the customer special assessments, which requires the individuals to pay the assessment over a period of 20 years. Certain customers elected to pay the entire assessment up front. The City then used these funds to reduce the outstanding debt on the loan by approximately \$4.1 million. Because of the large reduction on the debt, and subsequent additional payments made on the loan, the loan has reamortized as noted on the payment schedule on the previous page and is expected to be paid in full in September 2024.

Debt Covenants

The Kenai Peninsula Borough gasline loan required that a reserve account be established in the amount of \$1,270,000 from the date of the first drawdown. The City has complied with this covenant through the establishment of a dedicated investment account (reported as restricted cash and investments) in the Gas Line Capital Project Fund.

The 2013 Harbor bonds require that a reserve account be established in the amount of the largest annual debt service payment (\$290,100) and for the Port to establish and charge fees sufficient to produce 120% of the annual debt service amount. The City has complied with this covenant through the establishment of a dedicated investment account (reported as restricted cash and investments) in the Port of Homer Enterprise Fund.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

7. Fund Balances

Fund balances, reported for the major funds and the nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints:

	General	Utility Special Revenue	Gas Line Capital Project	HART Roads Capital Project	Nonmajor Funds	Totals
Nonspendable:						
Inventory	\$ 42,108	440,744	-	-	-	482,852
Prepaid items	176,365	-	-	-	-	176,365
Interfund loans	339,710	-	-	-	-	339,710
Total nonspendable	558,183	440,744	-	-	-	998,927
Restricted:						
Roads and trails	-	-	-	6,039,671	1,269,509	7,309,180
Special service district	-	-	-	-	192,622	192,622
Total restricted	-	-	-	6,039,671	1,462,131	7,501,802
Committed:						
Police station construction	-	-	-	-	956,541	956,541
Assigned:						
Library	-	-	-	-	3,952	3,952
Public safety	-	-	-	-	42,307	42,307
Community schools	-	-	-	-	270	270
Sustainability	-	-	-	-	15,207	15,207
Water and sewer	-	3,673,894	-	-	-	3,673,894
PERS benefits	171,314	-	-	-	22,061	193,375
Capital and land	-	-	-	-	4,507,855	4,507,855
Total assigned	171,314	3,406,720	-	-	4,591,652	8,436,860
Unassigned (deficit)	6,425,584	-	(932,007)	-	-	5,493,577
Total Fund Balances	\$ 7,155,081	4,114,638	(932,007)	6,039,671	7,010,324	23,387,707

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2018

8. Risk Management

The City is exposed to various risks of loss including (a) damage to and loss of buildings and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) workers' compensation; i.e., employee injuries, and (e) medical insurance costs of employees.

The City is a member of the Alaska Municipal League Joint Insurance Association (JIA), a governmental insurance pool established by the Alaska Municipal League. The JIA provides the City coverage for property, including building and contents, automobiles, mobile equipment and data processing equipment; casualty, including general liability, and public officials, law enforcement professional liability, auto liability and employee benefit liability; and workers' compensation, including employer's liability. In addition, commercial insurance policies are purchased that transfer the risk of loss, except for relatively low deductibles for marina keeper's legal liability, and underground tank liability. The City has no coverage for potential losses from environmental damages.

The JIA is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's deposit contribution in comparison to the aggregate deposit contributions of all members. The Association made no supplemental assessments during the year ended December 31, 2018.

The JIA provides loss control services and conducts periodic inspections to ensure safe operations. The Finance Director coordinates risk management activities with the other City Directors and City Manager. The General Fund balance is sufficient to meet potential losses related to the JIA basic core coverage and coverage deductibles. The amount of settlements for the past three years did not materially exceed the City's insurance coverage.

9. Defined Benefit (DB) Pension Plan and OPEB Plans

General Information About the Plan

The City participates in the Alaska Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. Plan was established and is administered by the State of Alaska to provide pension, postemployment healthcare, and death and disability benefits (OPEB). Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at <http://doa.alaska.gov/dr/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2018

The Plan provides for retirement, death and disability, and post-employment health care benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Police/Fire employees accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other OPEB benefits. A complete benefit comparison chart is available at the website noted above.

The PERS DB Plan was closed to new entrants effective June 30, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

As part of its participation in the PERS DB Plan (Tiers I, II, III), which is a cost-sharing multiple employer defined benefit plan, the City participates in the Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD). The ARHCT is self-funded and provides major medical coverage to retirees of the System. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS Defined Contribution Plan (Tier IV). The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the Defined Benefit Pension Plan

Historical Context and Special Funding Situation

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be calculated against *all* PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes.

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows and outflows of resources, and disclosures on this basis. The City records the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

It is important to note that the Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2018

Employee Contribution Rates

Regular employees are required to contribute 6.75% (5.25% pension and 1.50% OPEB) of their annual covered salary. Police and firefighters are required to contribute 7.5% of their annual covered salary.

Employer and Other Contribution Rates

There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the contractual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate is calculated on *all* PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years (as demonstrated in the contribution rate tables below).

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In 2015, the State Legislature appropriated a one-time contribution to the Plan in the amount of \$1 billion. As a result, the on-behalf contribution in 2015 was significantly higher than the statutory amount. In 2016, the on-behalf contribution has returned to “normal” levels and generally equals the statutory calculation. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. On the enterprise fund and the government-wide financial statements, the on-behalf amounts are included in revenue and expense only to the extent they are applicable to the measurement period.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY18, the rate uses an 8.00% pension discount rate and a 4.30% healthcare discount rate.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

The GASB Rate and the ARM Board Adopted Rate differ significantly as a direct result of variances in the actuarial methods and assumptions used.

Contribution rates for the years ended June 30, 2017 and June 30, 2018 were determined in the June 30, 2014 and June 30, 2015 actuarial valuations, respectively.

City contribution rates for the 2018 calendar year were as follows:

<i>January 1, 2018 to June 30, 2018</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	17.12%	21.90%	3.01%	29.07%
Postemployment healthcare	4.88%	3.11%	-%	66.85%
Total Contribution Rates	22.00%	25.01%	3.01%	95.92%

<i>July 1, 2018 to December 31, 2018</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	16.17%	23.21%	5.58%	32.11%
Postemployment healthcare	5.83%	4.37%	-%	87.90%
Total Contribution Rates	22.00%	27.58%	5.58%	120.01%

In 2018, the City was credited with the following contributions into the pension/OPEB plan.

	Measurement Period July 1, 2017 to June 30, 2018	City Fiscal Year January 1, 2018 to December 31, 2018
Employer contributions pension (including DBUL)	\$ 877,584	\$ 843,414
Employer contributions OPEB	291,982	317,400
Nonemployer contributions (on-behalf pension)	218,125	304,607
Total Contributions	\$ 1,387,691	\$ 1,465,421

In addition, employee contributions to the Plan for pension totaled \$225,337 during the City's fiscal year.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions/OPEB

At December 31, 2018, the City reported a liability for its proportionate share of the net pension/OPEB liability that reflected a reduction for State pension support provided to the City. The amounts recognized by the City for its proportional share, the related State proportion, and the total is as follows:

Net Pension Liability

City proportionate share	\$ 11,355,996
State's proportionate share associated with the City	3,289,937
Total Net Pension Liability	\$ 14,645,933

Net OPEB Liability - ARHCT

City proportionate share	\$ 2,345,089
State's proportionate share associated with the City	680,139
Total Net OPEB Liability - ARHCT	\$ 3,025,228

Net OPEB Liability (Asset) - ODD

City proportionate share	\$ (60,206)
State's proportionate share associated with the City	-
Total Net OPEB Liability (Asset) - ODD	\$ (60,206)

Net OPEB Liability - RMP

City proportionate share	\$ 39,446
State's proportionate share associated with the City	-
Total Net OPEB Liability - RMP	\$ 39,446

The net pension/OPEB liabilities were measured as of June 30, 2018, and the total pension/OPEB liability used to calculate the net pension/OPEB liability for each Plan was determined by an actuarial valuation as of June 30, 2017. The City's proportion of the net pension/OPEB liabilities were based on a projection of the City's long-term share of contributions to the pension/OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

The City's proportionate share of the net pension/OPEB liability measured at June 30, 2018 was as follows:

City's proportionate share	Measurement Period Fiscal Year 2018	Measurement Period Fiscal Year 2017	Change
Net Pension Liability	0.22854%	0.21319%	0.01535%
Net OPEB Liability - ARHCT	0.22850%	0.21320%	0.01530%
Net OPEB Liability (Asset) - ODD	0.30999%	0.30597%	0.00402%
Net OPEB Liability - RMP	0.30999%	0.30597%	0.00402%

For the year ended December 31, 2018, the City recognized pension and OPEB expense (benefit) of \$404,604 and \$272,134, respectively for PERS in the Statement of Activities. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Pension Related		OPEB Related	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Outflows/Inflows of Resources:				
Difference between expected and actual experience	\$ -	(285,013)	-	(269,705)
Change in assumptions	-	-	374,048	-
Net difference between projected and actual earnings on pension plan investments	250,802	-	-	(504,816)
Change in proportion and differences in proportional share	334,768	-	141,045	(109,562)
City contributions subsequent to the measurement date	403,237	-	171,835	-
Total Deferred Outflows/Inflows Related to Pensions	\$ 988,807	(285,013)	686,928	(884,083)

The \$403,237 and \$171,835 reported as deferred outflows of resources related to pensions and OPEB, respectively, resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension/OPEB liability in the year ended December 31, 2019.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension/OPEB expense as follows:

<i>Year Ending December 31,</i>	Pension Related	OPEB Related	Total
2019	\$ 368,741	(126,108)	242,633
2020	137,137	(67,695)	69,442
2021	(194,325)	(164,610)	(358,935)
2022	(10,996)	(10,839)	(21,835)
2023	-	36	36
Thereafter	-	226	226
Total Amortization	\$ 300,557	(368,990)	(68,433)

Actuarial Assumptions

The total pension/OPEB liability for the measurement period ended June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2018. The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Actuarial Cost Method	Entry Age Normal – Level Percentage of Payroll
Asset Valuation Method	Invested assets are reported at fair value.
Allocation Methodology	Amounts were allocated to employers based on the projected present value of contributions for FY2018-FY2039. The liability is expected to go to zero at 2039.
Investment Return / Discount Rate	8.00% per year (geometric), compounded annually, net of expenses
Salary Scale	Inflation – 3.12% per year Productivity – 0.50% per year Peace Officer/Firefighter – graded by years of service from 9.66% to 4.92% All others – graded by age and years of service from 8.55% to 4.34%
Total Inflation	Measured by the consumer price index for urban and clerical workers for Anchorage and is assumed to increase 3.12% annually.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2018

Mortality	Pre-termination – Based on the 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of post-termination mortality rates. Deaths are assumed to be occupational 70% of the time for Peace Officer/Firefighters, 50% of the time for Others Post-termination – 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.
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The long term expected rate of return on pension/OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension/OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

<i>Asset Class</i>	<i>Long-term Expected Real Rate of Return</i>
Domestic equity	8.90%
Global equity (non-US)	7.85%
Intermediate treasuries	1.25%
Opportunistic	4.76%
Real assets	6.20%
Absolute return	4.76%
Private equity	12.08%
Cash equivalents	0.66%

Discount Rate

The discount rate used to measure the total pension/OPEB liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, contributions from employers will be made at contractually required rates (based on State statute), and nonemployer contributions from the State will continue to follow current funding policy. Based on those assumptions, the pension/OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Discount Rate Sensitivity

The following presents the Retirement System's net pension/OPEB liability and the City's proportionate share of the net pension/OPEB liability calculated using the discount rate of 8.0%, as well as what the City's proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage point higher (9.00%) than the current rate:

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

PERS	Proportional Share	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net Pension Liability	0.22854%	\$ 15,038,204	11,355,996	8,241,293
Net OPEB Liability - ARHCT	0.22850%	\$ 4,747,631	2,345,089	331,269
Net OPEB Liability (Asset) - ODD	0.30999%	\$ (56,536)	(60,206)	(63,225)
Net OPEB Liability (Asset) - RMP	0.30999%	\$ 117,796	39,446	(21,665)

Pension Plan Fiduciary Net Position

Detailed information about the pension/OPEB plan's fiduciary net position is available in separately issued PERS financial reports.

10. Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/drb/pers>.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the City contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service.

Employee Contribution Rate

Employees are required to contribute 8.0% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended December 31, 2018, the City was required to contribute 5% of covered salary into the Plan.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

The City and employee contributions to PERS for DC pensions for the year ended December 31, 2018 were \$179,682 and \$287,491, respectively. The City contribution amount was recognized as pension expense/expenditures. During the City's fiscal year forfeitures for DC pension used to offset the City's expense/expenditures was \$94,090.

11. Defined Contribution OPEB Plans

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PERS Plan noted above. These plans provide for death, disability, and post-employment health care benefits.

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended December 31, 2018 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	0.94%	0.94%
Occupational death and disability benefits	0.26%	0.76%
Total Contribution Rates	1.20%	1.70%

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of **all employees of all employers** in the plan". As of July 1, 2018, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$2,103 per year for each full-time employee, and \$1.35 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2018, the City contributed \$122,692 in DC OPEB costs. This amount has been recognized as expense/expenditures.

12. Contingencies

The City is involved in various claims and pending litigation as part of the normal course of its activities. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on the City's financial statements.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2018

Grants

Amounts received or receivable from grantors are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, would become a liability of the General Fund or other applicable fund.

13. Designated Sales Tax

City of Homer sales tax is designated for the following purposes:

Water, sewer, and related debt service	0.75%
Road and trail projects	0.75%
General Fund – undesignated	3.00%
Kenai Peninsula Borough	3.00%
Total Sales Tax Percentage	7.50%

Effective January 1, 2009, Ordinance 08-32(s)(A-2) exempts sales tax on non-prepared foods from September 1 through May 31 annually.

14. Change in Accounting Principle

As discussed previously in the notes to the financial statements, the City participates in the Alaska Public Employees' Retirement System (PERS). In 2018, the City adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which, among other accounting and reporting criteria, requires the City to recognize its proportional share of the net other postemployment benefit plans (OPEB) liability (and related deferred inflow/outflow accounts), as of the beginning of the City's fiscal year. As a result of the implementation of these statements, the City has recorded an opening balance adjustment to increase liabilities and to decrease opening net position as follows:

	Opening Net Position as Originally Presented	Change in Accounting Principle Adjustment	Opening Net Position, as Restated
Governmental activities	\$ 88,724,345	(2,125,525)	86,598,820
Business-type activities - Harbor	\$ 47,762,989	(441,225)	47,321,764

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2018

15. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan permits all employees to defer a portion of their salary. The deferred compensation is not available for distribution to employees until termination, retirement, death or unforeseeable emergency. Internal Revenue Code provisions require that all assets and income of the plan be held in trust for the exclusive benefit of participants and their beneficiaries.

16. Related Parties

City purchases goods and services from local companies. Some of these purchases are considered related party transactions due to the nature of the relationships between employees of the City and these local companies. These transactions are not considered significant for individual disclosure.

17. Subsequent Events

In May 2019, the City issued \$4,100,000 in General Obligation Bonds at a premium and received approximately \$4,804,000. The bond requires principal payments in annual installments of \$190,000 - \$375,000 plus interest at 5% through 2034. The entire amount was appropriated to the Police Station fund.

In August 2019, the City adopted ordinance 19-35(S) which required the City to institute a biennial budget.

18. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements and actual impacts have not yet been determined.

GASB 83 – Certain Asset Retirement Obligations – Effective for year-end December 31, 2019, with earlier application encouraged – This statement addresses accounting and financial reporting for certain asset retirement obligations that are legally enforceable liabilities associated with the retirement of a tangible capital asset.

GASB 84 – Fiduciary Activities – Effective for year-end December 31, 2019, with earlier application encouraged – This statement addresses criteria for identifying and reporting fiduciary activities.

GASB 87 – Leases – Effective for year-end December 31, 2020, with earlier application encouraged – This statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This statement

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2018

establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB 88 - Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements - Effective for year-end December 31, 2019, with earlier application encouraged - This statement addresses note disclosures related to debt, clarifies which liabilities to include when disclosing information related to debt, and defines debt for the purpose of disclosure. It requires additional essential information related to debt be disclosed in the notes, as well as information for direct borrowings and direct placements.

GASB 89 - Accounting for Interest Cost incurred before the End of a Construction Period - Effective for year-end December 31, 2020, with earlier application encouraged - This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

GASB 90 – Majority Equity Interests - Effective for year-end December 31, 2019, with earlier application encouraged - This statement clarifies the definition of and classification of majority equity interests in legally separate organizations. It also clarifies measurement of component units in which governments have one hundred percent equity interest.

GASB 91 – Conduit Debt Obligations – Effective for year-end December 31, 2021, with earlier application encouraged - This statement establishes a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice of accounting for conduit debt obligations. This statement also establishes that conduit debt obligations are not a liability of the issuer and improves required note disclosures.

Required Supplementary Information

City of Homer, Alaska
100 - General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual

<i>Year Ended December 31, 2018</i>	Budget		Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Property taxes	\$ 3,264,974	3,264,974	3,493,713	-	3,493,713	228,739
Sales and use taxes	6,474,133	6,424,363	6,412,983	-	6,412,983	(11,380)
Permits and licenses	28,588	28,588	46,814	-	46,814	18,226
Intergovernmental	697,356	747,131	941,257	(206,427)	734,830	(12,301)
Charges for services	1,921,440	1,921,440	1,971,793	-	1,971,793	50,353
Interest Income	36,851	36,851	64,372	-	64,372	27,521
Fines and forfeitures	22,154	22,154	15,980	-	15,980	(6,174)
Total Revenues	12,445,496	12,445,501	12,946,912	(206,427)	12,740,485	294,984
Expenditures						
General government	3,123,981	3,127,781	3,013,262	-	3,013,262	(114,519)
Public safety	4,328,767	4,328,767	4,148,352	-	4,148,352	(180,415)
Public works	2,558,787	2,558,789	2,425,687	-	2,425,687	(133,102)
Library	887,710	887,711	852,197	-	852,197	(35,514)
Airport	211,493	211,495	189,505	-	189,505	(21,990)
Community services	94,000	94,000	94,000	-	94,000	-
Total Expenditures	11,204,738	11,208,543	10,723,003	-	10,723,003	(485,540)
Excess of Revenues Over (under)						
Expenditures	1,240,758	1,236,958	2,223,909	(206,427)	2,017,482	780,524
Other Financing Sources (Uses)						
Transfers in	10,000	10,000	14,576	-	14,576	4,576
Transfers out	(1,250,758)	(1,246,958)	(2,290,433)	-	(2,290,433)	(1,043,475)
Net Change in Fund Balance	\$ -	-	(51,948)	(206,427)	(258,375)	(258,375)
Fund Balance, beginning			7,207,029		7,207,029	
Fund Balance, ending			\$ 7,155,081		\$ 6,948,654	

See accompanying notes to required supplementary information.

City of Homer, Alaska
200 - Utility Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended December 31, 2018	Budget		Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Sales taxes	\$ 1,284,071	1,284,071	1,244,495	-	1,244,495	(39,576)
Intergovernmental	-	-	47,782	(47,782)	-	-
Charges for services	3,733,418	3,742,418	3,692,778	-	3,692,778	(49,640)
Water and sewer special assessments	-	-	543,600	-	543,600	543,600
Investment income	5,502	1,003	35,810	-	35,810	34,807
Total Revenues	5,022,991	5,027,492	5,564,465	(47,782)	5,516,683	489,191
Expenditures						
Water	2,003,689	2,023,690	2,003,790	(26,877)	1,976,913	46,777
Sewer	1,450,983	1,474,983	1,494,291	(20,905)	1,473,386	1,597
Debt service:						
Principal	889,626	889,626	892,157	-	892,157	(2,531)
Interest	154,064	154,064	153,551	-	153,551	513
Total debt service	1,043,690	1,043,690	1,045,708	-	1,045,708	(2,018)
Capital outlay	450,500	450,500	923,589	-	923,589	(473,089)
Total Expenditures	4,948,862	4,992,863	5,467,378	(47,782)	5,419,596	(426,733)
Excess of Revenues Over (Under)						
Expenditures	74,129	34,629	97,087	-	97,087	62,458
Other Financing Sources (Uses)						
Transfers in	92,222	92,222	210,662	-	210,662	118,440
Transfers out	(33,398)	(314,919)	-	-	-	314,919
Net Change in Fund Balance	<u>\$ 132,953</u>	<u>(188,068)</u>	307,749	-	307,749	495,817
Fund Balance, beginning			<u>3,806,889</u>			
Fund Balance, ending			<u>\$ 4,114,638</u>			

See accompanying notes to required supplementary information.

City of Homer, Alaska

**Schedule of the City's Information on the Net Pension Liability
Public Employees Retirement System (PERS)**

<i>Years Ended</i>	<i>Measurement Period Ended</i>	<i>City's Proportion of the Net Pension Liability</i>	<i>City's Proportionate Share of the Net Pension Liability</i>	<i>State of Alaska Proportionate Share of the Net Pension Liability</i>	<i>Total Net Pension Liability</i>	<i>City's Covered Payroll</i>	<i>City's Proportionate Share of the Net Pension Liability as a Percentage of Payroll</i>	<i>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</i>
2018	2018	0.22854%	\$ 11,355,996	\$ 3,289,937	\$ 14,645,933	\$ 6,635,180	171.15%	65.19%
2017	2017	0.21319%	11,020,546	4,105,937	15,126,483	6,507,827	169.34%	63.37%
2016	2016	0.25432%	14,215,445	1,792,202	16,007,647	6,372,455	223.08%	59.55%
2015	2015	0.22501%	10,912,909	2,922,750	13,835,659	6,455,186	169.06%	63.96%
2014	2014	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*
2009	2009	*	*	*	*	*	*	*

*GASB requires ten years of information be presented. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying notes to required supplementary information.

City of Homer, Alaska
Schedule of the City's Information on the Net OPEB Liability
Public Employees Retirement System (PERS)

Year Ended December 31,	Measurement Period Ended June 30,	City's proportion of the net OPEB liability	City's proportionate share of the net OPEB liability (asset)	State of Alaska proportionate share of the net OPEB liability (asset)	Total net OPEB liability (asset)	City's covered- employee payroll	City's proportionate share of the net OPEB liability as a percentage of covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
<u>Alaska Retiree Healthcare Trust Plan (ARHCT):</u>								
2018	2018	0.22850%	\$ 2,345,089	\$ 680,139	\$ 3,025,228	\$6,635,180	35.34%	88.12%
2017	2017	*	*	*	*	*	*	*
2016	2016	*	*	*	*	*	*	*
2015	2015	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*
2009	2009	*	*	*	*	*	*	*
<u>Occupational Death and Disability (ODD):</u>								
2018	2018	0.30999%	\$ (60,206)	\$ -	\$ (60,206)	\$6,635,180	-0.91%	270.62%
2017	2017	*	*	*	*	*	*	*
2016	2016	*	*	*	*	*	*	*
2015	2015	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*
2009	2009	*	*	*	*	*	*	*
<u>Retiree Medical Plan (RMP):</u>								
2018	2018	0.30999%	\$ 39,446	\$ -	\$ 39,446	\$6,635,180	0.59%	88.71%
2017	2017	*	*	*	*	*	*	*
2016	2016	*	*	*	*	*	*	*
2015	2015	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*
2009	2009	*	*	*	*	*	*	*

*GASB requires ten years of information be presented. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying notes to required supplementary information.

City of Homer, Alaska
Schedule of City Contributions
Public Employees Retirement System (PERS)

<i>Years Ended December 31,</i>	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 843,414	\$ 843,414	\$ -	\$6,651,553	12.680%
2017	820,166	820,166	-	6,619,157	12.391%
2016	1,031,207	1,031,207	-	6,414,407	16.076%
2015	644,804	644,804	-	6,402,816	10.071%
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
2009	*	*	*	*	*

*GASB requires ten years of information be presented. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying notes to required supplementary information.

City of Homer, Alaska

**Schedule of the City's OPEB Contributions
Public Employees Retirement System (PERS)**

Year Ended December 31,	Contractually required contribution	Contributions in relation to the contractually required contribution	Contributions over (short)	City's covered- employee payroll	Contributions as a percentage of covered- employee payroll
<u>Alaska Retiree Healthcare Trust Plan (ARHCT):</u>					
2018	\$ 271,357	\$ 271,357	\$ -	\$ 6,651,553	4.080%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
2009	*	*	*	*	*
<u>Occupational Death and Disability (ODD):</u>					
2018	\$ 10,678	\$ 10,678	\$ -	\$ 6,651,553	0.161%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
2009	*	*	*	*	*
<u>Retiree Medical Plan (RMP):</u>					
2018	\$ 35,366	\$ 35,366	\$ -	\$ 6,651,553	0.532%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
2009	*	*	*	*	*

*GASB requires ten years of information be presented. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying notes to required supplementary information.

City of Homer, Alaska

Notes to Required Supplementary Information

1. Budgetary Comparison Schedules

An operating budget is adopted each fiscal year for the General Fund and Utility Special Revenue Fund on the modified accrual basis used to reflect actual revenues and expenditures.

The City follows these procedures in establishing the budgetary data reflected in the required budgetary comparison Schedules:

- a. By the third Friday in October, the City Manager presents the budget proposal for the next fiscal year, including additional information.
- b. Public hearings are conducted by the City to obtain taxpayer comments.
- c. At a regular Council meeting no less than 10 days before the end of the fiscal year, the Council shall appropriate the funds.
- d. The Council may increase or decrease appropriations during the course of the year and may amend the budget using the same method as for initial adoption.
- e. The City Manager is authorized to transfer budgeted amounts within a department; however, any revisions that result in permanent staffing level revisions, require Council approval. Expenditures may not exceed appropriations at the fund level.
- f. Appropriations lapse at the end of the fiscal year to the extent they have not been fully expended or fully encumbered. Capital appropriations remain in force until the project is finished or abandoned.

The City publishes its annual budget document and it is available on the City's website at: www.cityofhomer-ak.gov. The City's expenditures for the Utility Special Revenue Fund exceeded the final budget amounts due to Capital outlay in excess of \$473,089.

2. Pension/OPEB Disclosures

In accordance with GASB Statement 82, "Covered Payroll" is defined as payroll on which contributions to the pension plan are based. Because a portion of the City's contributions to the Plan (the DBUL) are based on Defined Contribution Wages, covered payroll reported here includes all PERS participating wages (both DB and DC).

Both pension and OPEB tables are intended to present 10 years of information. Additional years' information will be added to the schedules as it becomes available.

Schedule of City's Information on the Net Pension/OPEB Liability

- This table is presented based on the Plan measurement date. For December 31, 2018, the Plan measurement date is June 30, 2018.
- There were no changes in benefit terms from the prior measurement period.
- There were no changes in assumptions from the prior measurement period.

Schedule of City Contributions

- This table is based on the City's contributions for each year presented. A portion of these contributions are included in the plan measurement results, while a portion of the contributions have been reported as a deferred outflow on the statement of net position.

Supplementary Information

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

A Special Revenue Fund is established to finance particular activities and is created from proceeds of specific revenue sources that are restricted or committed for specific purposes.

HART Assessments – This fund accounts for assessments that have been earmarked for road improvements.

Noncapital Projects – This fund accounts for projects and grant-related activities that are not capitalized.

Retainage Reimbursements – This fund accounts for deposits customers have provided for specific projects until their completion.

Ocean Dr Loop Assessments – This fund accounts for assessments that have been earmarked for bluff erosion control along Ocean Drive Loop.

PERS Funding – This fund accounts for funds set aside for future PERS obligation.

Fire Department Donations – This fund accounts for donations made to the fire department.

Library Donations – This fund accounts for donations made to the library.

Animal Shelter Donations – This fund accounts for donations made to the animal shelter.

Community Schools – This fund accounts for donations to be used for community schools.

Sustainability – This fund accounts for donations for sustainable global warming.

Ocean DR Loop Mill Rate Assessments – This fund accounts for assessments that have been earmarked for seawall maintenance.

Nonmajor Governmental Funds, continued

CAPITAL PROJECT FUNDS

Capital Project Funds are established to account for the financial resources expended to acquire or construct major capital assets of a relatively permanent nature. Such financial resources include grants, contributions, bond proceeds, and operating transfers from other funds.

Capital Project Funds provide a formal mechanism to ensure that revenues dedicated to a certain project are used only for that project and enable the City administration to report to grantors of Capital Project Fund revenue that their requirements regarding the use of the revenues are fully satisfied.

Land Reserves – This fund accounts for the accumulation of capital to purchase land.

City Facilities – This fund accounts for various facility improvements.

Fleet Reserve Allocation – This fund accounts for the accumulation of capital to purchase vehicles.

Capital Outlay Reserves – This fund accounts for monies set aside each year from the General Fund to be used for the maintenance of City buildings and the purchase of General Fund equipment.

HART Trails – This fund accounts for improvements to City trails.

Energy Revolving Loan – This fund accounts for forward funding of energy efficiency improvement projects with corpus to be reinstated through future repayments.

City of Homer, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet

	Special Revenue Funds											Total Special Revenue Funds
	HART Assess- ments	Non- capital Projects	Retainage Reimburse- ments	Seawall Assess- ments	PERS Funding	Fire Depart- ment Donations	Library Donations	Animal Shelter Donations	Community Schools	Sustain- ability	Ocean Dr Loop Assess- ments	
December 31, 2018	155	157	159	173	615	802	803	804	805	807	808	
Assets												
Cash and investments	\$ 701,157	23,084	2,840	126,257	22,061	41,972	3,952	335	270	15,207	66,365	1,003,500
Receivables, net:												
Interfund loan	-	-	-	-	-	-	-	-	-	-	-	-
State and federal grants	-	4,536	-	-	-	-	-	-	-	-	-	4,536
Other	-	-	-	-	-	-	-	-	-	-	-	-
Special assessments	461,654	-	-	135,829	-	-	-	-	-	-	-	597,483
Total Assets	\$ 1,162,811	27,620	2,840	262,086	22,061	41,972	3,952	335	270	15,207	66,365	1,605,519
Liabilities												
Accounts payable	\$ -	-	-	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	2,774	-	-	-	-	-	-	-	-	2,774
Unearned grant revenue	-	-	-	-	-	-	-	-	-	-	-	-
Deferred assessments	461,654	-	-	135,829	-	-	-	-	-	-	-	597,483
Total Liabilities	461,654	-	2,774	135,829	-	-	-	-	-	-	-	600,257
Fund Balances												
Restricted:												
Roads and trails	701,157	-	-	-	-	-	-	-	-	-	-	701,157
Special service district	-	-	-	126,257	-	-	-	-	-	-	66,365	192,622
Committed:												
Police station construction	-	-	-	-	-	-	-	-	-	-	-	-
Assigned:												
Library	-	-	-	-	-	-	3,952	-	-	-	-	3,952
Public safety	-	-	-	-	-	41,972	-	335	-	-	-	42,307
Community schools	-	-	-	-	-	-	-	-	270	-	-	270
Sustainability	-	-	-	-	-	-	-	-	-	15,207	-	15,207
PERS benefits	-	-	-	-	22,061	-	-	-	-	-	-	22,061
Capital and land	-	27,620	66	-	-	-	-	-	-	-	-	27,686
Total Fund Balances	701,157	27,620	66	126,257	22,061	41,972	3,952	335	270	15,207	66,365	1,005,262
Total Liabilities and Fund Balances	\$ 1,162,811	27,620	2,840	262,086	22,061	41,972	3,952	335	270	15,207	66,365	1,605,519

City of Homer, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet, continued

	Capital Project Funds						Total Capital Project Funds	Total Nonmajor Govern- mental Funds
	Land Reserves 150	City Facilities 151	Fleet Reserve Allocation 152	Capital Outlay Reserves 156	HART Trails 165	Energy Revolving Loan 620		
December 31, 2018								
Assets								
Cash and investments	\$ 199,814	1,938,781	870,615	2,362,234	568,352	240,865	6,180,661	7,184,161
Receivables, net:								
Interfund loan	-	-	-	-	-	6,255	6,255	6,255
State and federal grants	-	38,256	-	-	-	-	38,256	42,792
Other	-	-	-	-	-	771	771	771
Special assessments	-	-	-	-	-	-	-	597,483
Total Assets	\$ 199,814	1,977,037	870,615	2,362,234	568,352	247,891	6,225,943	7,831,462
Liabilities								
Accounts payable	\$ -	196,594	2,652	5,310	-	-	204,556	204,556
Unearned revenue	-	-	-	-	-	-	-	2,774
Unearned grant revenue	-	16,325	-	-	-	-	16,325	16,325
Deferred assessments	-	-	-	-	-	-	-	597,483
Total Liabilities	-	212,919	2,652	5,310	-	-	220,881	821,138
Fund Balances								
Restricted:								
Roads and trails	-	-	-	-	568,352	-	568,352	1,269,509
Special service district	-	-	-	-	-	-	-	192,622
Committed:								
Police station construction	-	-	-	956,541	-	-	956,541	956,541
Assigned:								
Library	-	-	-	-	-	-	-	3,952
Public safety	-	-	-	-	-	-	-	42,307
Community schools	-	-	-	-	-	-	-	270
Sustainability	-	-	-	-	-	-	-	15,207
PERS benefits	-	-	-	-	-	-	-	22,061
Capital and land	199,814	1,764,118	867,963	1,400,383	-	247,891	4,480,169	4,507,855
Total Fund Balances	199,814	1,764,118	867,963	2,356,924	568,352	247,891	6,005,062	7,010,324
Total Liabilities and Fund Balances	\$ 199,814	1,977,037	870,615	2,362,234	568,352	247,891	6,225,943	7,831,462

City of Homer, Alaska

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended <i>December 31, 2018</i>	Special Revenue Funds									
	HART Assess- ments	Non- capital Projects	Retainage Reimburse- ments	Seawall Assess- ments	PERS Funding	Fire Depart- ment Donations	Library Donations	Animal Shelter Donations	Community Schools	Sustain- ability
	155	157	159	173	615	802	803	804	805	807
Revenues										
Property taxes	\$ -	-	-	-	-	-	-	-	-	-
Intergovernmental	-	5,978	-	-	-	-	-	-	-	-
Investment income	8,042	227	-	-	4,527	636	105	-	-	261
Special assessment	52,119	-	-	88,060	-	-	-	-	-	-
Donations	-	-	-	-	-	4,626	178	-	-	-
Other	-	4,536	-	-	-	-	-	-	-	-
Total Revenues	60,161	10,741	-	88,060	4,527	5,262	283	-	-	261
Expenditures										
Current -										
General government	-	15,120	-	-	-	-	21	-	-	-
Debt service principal	-	-	-	-	-	-	-	-	-	-
Debt service interest	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Total Expenditures	-	15,120	-	-	-	-	21	-	-	-
Excess of Revenues Over (Under) Expenditures	60,161	(4,379)	-	88,060	4,527	5,262	262	-	-	261
Other Financing Sources (Uses)										
Transfers in	640,996	-	-	38,197	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	701,157	(4,379)	-	126,257	4,527	5,262	262	-	-	261
Fund Balances, beginning	-	31,999	66	-	17,534	36,710	3,690	335	270	14,946
Fund Balances, ending	\$ 701,157	27,620	66	126,257	22,061	41,972	3,952	335	270	15,207

City of Homer, Alaska

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, continued

Year Ended <i>December 31, 2018</i>	Special Revenue Funds		Capital Project Funds							Total Nonmajor Govern- mental Funds
	Ocean Dr Loop Assess- ments 808	Total Special Revenue Funds	Land Reserves 150	City Facilities 151	Fleet Reserve Allocation 152	Capital Outlay Reserves 156	HART Trails 165	Energy Revolving Loan 620	Total Capital Project Funds	
Revenues										
Property taxes	\$ 28,917	28,917	-	-	-	-	-	-	-	28,917
Intergovernmental	-	5,978	-	329,014	-	-	-	-	329,014	334,992
Investment income	-	13,798	-	13,831	9,528	34,840	5,902	-	64,101	77,899
Special assessment	-	140,179	-	-	-	-	-	-	-	140,179
Donations	-	4,804	-	-	-	-	-	-	-	4,804
Other	-	4,536	-	9,949	-	-	-	(1)	9,948	14,484
Total Revenues	28,917	198,212	-	352,794	9,528	34,840	5,902	(1)	403,063	601,275
Expenditures										
Current -										
General government	-	15,141	-	-	-	-	-	-	-	15,141
Debt service principal	-	-	-	-	29,928	-	-	-	29,928	29,928
Debt service interest	-	-	-	-	1,878	-	-	-	1,878	1,878
Capital outlay	35,750	35,750	-	354,078	245,158	99,250	1,560	2,675	702,721	738,471
Total Expenditures	35,750	50,891	-	354,078	276,964	99,250	1,560	2,675	734,527	785,418
Excess of Revenues Over (Under) Expenditures	(6,833)	147,321	-	(1,284)	(267,436)	(64,410)	4,342	(2,676)	(331,464)	(184,143)
Other Financing Sources (Uses)										
Transfers in	73,198	752,391	-	2,471,772	600,000	1,213,245	-	47,393	4,332,410	5,084,801
Transfers out	-	-	-	(177,172)	-	(2,304,917)	-	-	(2,482,089)	(2,482,089)
Net Change in Fund Balances	66,365	899,712	-	2,293,316	332,564	(1,156,082)	4,342	44,717	1,518,857	2,418,569
Fund Balances, beginning	-	105,550	199,814	(529,198)	535,399	3,513,006	564,010	203,174	4,486,205	4,591,755
Fund Balances, ending	\$ 66,365	1,005,262	199,814	1,764,118	867,963	2,356,924	568,352	247,891	6,005,062	7,010,324

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General Fund

The General Fund accounts for the financial operations of the City of Homer which are not accounted for in any other fund. Principal sources of revenues are sales taxes, property taxes, charges for services, and intergovernmental revenues. Primary expenditures in the General Fund are for general government, public safety, and public works.

City of Homer, Alaska

100 - General Fund
Balance Sheet

December 31,	2018	2017
Assets		
Cash and investments	\$ 5,355,651	\$ 3,523,700
Receivables		
Property taxes - delinquent, net of allowance for doubtful accounts of \$8,719 (\$5,834 in 2017)	114,979	88,955
Sales taxes	393,314	1,022,886
Assessments	-	734,567
Grants receivables	133,772	26,585
Other, net of allowance for doubtful accounts of \$26,827 (\$38,742 in 2017)	119,843	53,100
Total Receivables	761,908	1,926,093
Due from other funds	896,181	2,601,029
Interfund loan receivable	339,710	127,055
Inventory	42,108	43,783
Prepaid items	176,365	214,644
Total Assets	\$ 7,571,923	\$ 8,436,304
Liabilities		
Accounts payable	\$ 142,083	\$ 248,077
Accrued payroll and related liabilities	132,898	112,370
Unearned revenue	19,383	16,488
Customer deposits	17,404	15,704
Total Liabilities	311,768	392,639
Deferred Inflows of Resources		
Deferred assessments	-	734,567
Deferred property taxes	105,074	102,069
Total Deferred Inflows of Resources	105,074	836,636
Total Liabilities and Deferred Inflows of Resources	416,842	1,229,275
Fund Balance		
Nonspendable	558,183	385,482
Assigned - PERS benefits	171,314	171,314
Unassigned	6,425,584	6,549,010
Total Fund Balance	7,155,081	7,207,029
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 7,571,923	\$ 8,436,304

City of Homer, Alaska
100 - General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended December 31,	2018					2017
Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis	
Revenues						
Taxes:						
Property taxes	\$ 3,264,974	3,493,713	-	3,493,713	228,739	\$ 3,531,299
Sales and use taxes	6,424,363	6,412,983	-	6,412,983	(11,380)	6,620,306
Total taxes	9,689,337	9,906,696	-	9,906,696	217,359	10,151,605
Permits and licenses	28,588	46,814	-	46,814	18,226	47,554
Intergovernmental:						
Community assistance program	-	-	-	-	-	205,118
State PERS relief	-	206,427	(206,427)	-	-	181,209
Utility cooperative	25,676	24,657	-	24,657	(1,019)	24,721
Alcohol beverage tax	24,100	25,650	-	25,650	1,550	24,400
Public safety	656,455	648,407	-	648,407	(8,048)	543,018
Library grants	6,900	2,116	-	2,116	(4,784)	13,332
Public works	34,000	34,000	-	34,000	-	34,000
Total intergovernmental	747,131	941,257	(206,427)	734,830	(12,301)	1,025,798
Charges for services:						
Administrative services	1,179,764	1,179,764	-	1,179,764	-	1,156,088
Ambulance services	194,727	141,706	-	141,706	(53,021)	155,353
Fire contracts	86,195	88,594	-	88,594	2,399	80,022
Camping fees	198,453	181,114	-	181,114	(17,339)	195,667
Rental and leases	-	8,601	-	8,601	8,601	175
Airport services	146,868	203,822	-	203,822	56,954	155,491
Community school fees	38,607	38,063	-	38,063	(544)	39,501
Miscellaneous services	76,826	130,129	-	130,129	53,303	115,019
Total charges for services	1,921,440	1,971,793	-	1,971,793	50,353	1,897,316
Interest Income	36,851	64,372	-	64,372	27,521	24,353
Special assessments	-	-	-	-	-	188,422
Fines and forfeitures	22,154	15,980	-	15,980	(6,174)	28,277
Total Revenues	\$ 12,445,501	12,946,912	(206,427)	12,740,485	294,984	13,363,325

City of Homer, Alaska
100 - General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual, continued

Year Ended December 31,	2018				2017	
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Expenditures						
General government:						
City council/mayor:						
Salaries and benefits	\$ 14,056	12,864	-	12,864	(1,192)	\$ 15,539
Maintenance and operations	348,161	325,166	-	325,166	(22,995)	407,073
Total city council/mayor	362,217	338,030	-	338,030	(24,187)	422,612
City clerk:						
Salaries and benefits	295,942	295,057	-	295,057	(885)	327,455
Maintenance and operations	54,982	42,014	-	42,014	(12,968)	42,996
Total city clerk	350,924	337,071	-	337,071	(13,853)	370,451
City manager:						
Salaries and benefits	236,444	257,171	-	257,171	20,727	230,500
Maintenance and operations	26,371	18,619	-	18,619	(7,752)	19,559
Total city manager	262,815	275,790	-	275,790	12,975	250,059
Personnel:						
Salaries and benefits	121,976	122,194	-	122,194	218	116,791
Maintenance and operations	50,748	36,558	-	36,558	(14,190)	46,095
Total personnel	172,724	158,752	-	158,752	(13,972)	162,886
Economic development:						
Salaries and benefits	100,105	103,277	-	103,277	3,172	102,190
Maintenance and operations	65,500	56,676	-	56,676	(8,824)	64,373
Total economic development	165,605	159,953	-	159,953	(5,652)	166,563
Information technology:						
Salaries and benefits	209,763	217,659	-	217,659	7,896	210,992
Maintenance and operations	80,096	69,168	-	69,168	(10,928)	58,966
Total information technology	289,859	286,827	-	286,827	(3,032)	269,958
HERC Building -						
Maintenance and operations	44,928	40,225	-	40,225	(4,703)	45,119
Community recreation:						
Salaries and benefits	122,612	119,855	-	119,855	(2,757)	117,204
Maintenance and operations	26,998	23,363	-	23,363	(3,635)	23,360
Total community recreation	149,610	143,218	-	143,218	(6,392)	140,564
Finance:						
Salaries and benefits	583,699	589,351	-	589,351	5,652	510,245
Maintenance and operations	84,950	52,951	-	52,951	(31,999)	57,440
Total Finance	668,649	642,302	-	642,302	(26,347)	567,685
Planning and zoning:						
Salaries and benefits	340,079	345,369	-	345,369	5,290	339,326
Maintenance and operations	24,907	11,128	-	11,128	(13,779)	11,740
Total planning and zoning	364,986	356,497	-	356,497	(8,489)	351,066

City of Homer, Alaska
 100 - General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual, continued

Year Ended December 31,	2018				2017	
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Expenditures, continued						
General government, continued:						
City hall complex -						
Maintenance and operations	\$ 134,091	113,224	-	113,224	(20,867)	\$ 125,666
Leave cash out						
Salaries and benefits	161,373	161,373	-	161,373	-	194,166
Total general government	3,127,781	3,013,262	-	3,013,262	(114,519)	3,066,795
Public safety:						
Emergency services:						
Fire - administration:						
Salaries and benefits	188,807	115,458	-	115,458	(73,349)	194,446
Maintenance and operations	164,577	141,506	-	141,506	(23,071)	146,962
Total fire - administration	353,384	256,964	-	256,964	(96,420)	341,408
Fire services:						
Salaries and benefits	229,361	230,975	-	230,975	1,614	248,917
Maintenance and operations	68,200	56,192	-	56,192	(12,008)	53,042
Total fire services	297,561	287,167	-	287,167	(10,394)	301,959
Emergency medical services:						
Salaries and benefits	229,491	230,973	-	230,973	1,482	249,939
Maintenance and operations	47,600	40,821	-	40,821	(6,779)	33,821
Total emergency medical serv	277,091	271,794	-	271,794	(5,297)	283,760
Fire grant - assistant chief:						
Salaries and benefits	133,303	131,576	-	131,576	(1,727)	37,525
Total fire grant - assistant chief	133,303	131,576	-	131,576	(1,727)	37,525
Total emergency services	1,061,339	947,501	-	947,501	(113,838)	964,652
Police department:						
Police administration:						
Salaries and benefits	126,143	134,677	-	134,677	8,534	137,069
Maintenance and operations	272,661	209,961	-	209,961	(62,700)	243,328
Total police administration	398,804	344,638	-	344,638	(54,166)	380,397
Police dispatch:						
Salaries and benefits	564,208	529,500	-	529,500	(34,708)	602,288
Maintenance and operations	38,500	34,158	-	34,158	(4,342)	29,952
Total police dispatch	602,708	563,658	-	563,658	(39,050)	632,240
Police investigation:						
Salaries and benefits	183,757	196,800	-	196,800	13,043	99,885
Maintenance and operations	29,100	19,714	-	19,714	(9,386)	18,619
Total police investigation	212,857	216,514	-	216,514	3,657	118,504

City of Homer, Alaska
 100 - General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual, continued

Year Ended December 31,	2018				2017	
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Expenditures, continued						
Public safety, continued						
Police department, continued						
Police patrol:						
Salaries and benefits	\$ 1,192,685	1,196,245	-	1,196,245	3,560	\$ 1,310,637
Maintenance and operations	7,500	4,430	-	4,430	(3,070)	5,382
Total police patrol	1,200,185	1,200,675	-	1,200,675	490	1,316,019
Jail:						
Salaries and benefits	505,229	580,914	-	580,914	75,685	435,675
Maintenance and operations	138,944	79,425	-	79,425	(59,519)	94,738
Total jail	644,173	660,339	-	660,339	16,166	530,413
Animal control:						
Maintenance and operations	208,701	215,027	-	215,027	6,326	206,152
Total animal control	208,701	215,027	-	215,027	6,326	206,152
Total police department	3,267,428	3,200,851	-	3,200,851	(66,577)	3,183,725
Total public safety	4,328,767	4,148,352	-	4,148,352	(180,415)	4,148,377
Public works:						
Administration:						
Salaries and benefits	83,952	81,160	-	81,160	(2,792)	78,711
Maintenance and operations	73,829	47,050	-	47,050	(26,779)	53,299
Total administration	157,781	128,210	-	128,210	(29,571)	132,010
Maintenance:						
Salaries and benefits	194,872	216,483	-	216,483	21,611	214,646
Maintenance and operations	126,000	112,626	-	112,626	(13,374)	113,590
Total maintenance	320,872	329,109	-	329,109	8,237	328,236
Roads:						
Salaries and benefits	444,644	475,071	-	475,071	30,427	422,867
Maintenance and operations	272,650	262,583	-	262,583	(10,067)	281,120
Total roads	717,294	737,654	-	737,654	20,360	703,987
Parks:						
Salaries and benefits	263,874	236,931	-	236,931	(26,943)	319,003
Maintenance and operations	178,980	142,379	-	142,379	(36,601)	156,103
Total parks	442,854	379,310	-	379,310	(63,544)	475,106
Motor pool:						
Salaries and benefits	175,266	181,599	-	181,599	6,333	177,786
Maintenance and operations	379,450	314,509	-	314,509	(64,941)	348,262
Total motor pool	554,716	496,108	-	496,108	(58,608)	526,048

City of Homer, Alaska
 100 - General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual, continued

Year Ended December 31,	2018					2017
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Expenditures, continued						
Public works, continued:						
Engineer inspection:						
Salaries and benefits	\$ 165,657	164,787	-	164,787	(870)	\$ 164,139
Maintenance and operations	14,300	6,958	-	6,958	(7,342)	7,298
Total engineer inspection	179,957	171,745	-	171,745	(8,212)	171,437
Janitorial:						
Salaries and benefits	142,665	141,491	-	141,491	(1,174)	138,889
Maintenance and operations	42,650	42,060	-	42,060	(590)	41,563
Total Janitorial	185,315	183,551	-	183,551	(1,764)	180,452
Total public works	2,558,789	2,425,687	-	2,425,687	(133,102)	2,517,276
Library:						
Salaries and benefits	680,521	670,263	-	670,263	(10,258)	657,971
Maintenance and operations	207,190	181,934	-	181,934	(25,256)	175,610
Total library	887,711	852,197	-	852,197	(35,514)	833,581
Airport:						
Salaries and benefits	80,411	81,334	-	81,334	923	76,831
Maintenance and operations	131,084	108,171	-	108,171	(22,913)	104,117
Total airport	211,495	189,505	-	189,505	(21,990)	180,948
Non-Departmental:						
Museum	69,000	69,000	-	69,000	-	69,000
Homer Foundation Non-Profit	25,000	25,000	-	25,000	-	25,000
Total non-departmental	94,000	94,000	-	94,000	-	94,000
Debt service on loans:						
Principal	-	-	-	-	-	1,184,339
Interest	-	-	-	-	-	42,564
Total debt service on loans	-	-	-	-	-	1,226,903
Capital Outlay	-	-	-	-	-	82,924
Total Expenditures	11,208,543	10,723,003	-	10,723,003	(485,540)	12,150,804
Excess of Revenues Over Expenditures	1,236,958	2,223,909	(206,427)	2,017,482	780,524	1,212,521
Other Financing Sources (Uses):						
Transfers in	10,000	14,576	-	14,576	4,576	1,228,883
Transfers out	(1,246,958)	(2,290,433)	-	(2,290,433)	(1,043,475)	(1,847,143)
Net Change in Fund Balance	\$ -	(51,948)	(206,427)	(258,375)	(258,375)	594,261
Fund Balance, beginning		7,207,029		7,207,029		6,612,768
Fund Balance, ending		\$ 7,155,081		6,948,654		\$ 7,207,029

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Utility Special Revenue Fund

The Utility Special Revenue Fund accounts for the activities of the water and sewer facility operations, including collection and treatment of sewage, and distribution and transmission of water.

City of Homer, Alaska
Utility Special Revenue Fund
Combining Balance Sheet

December 31, 2018	Utility Operations 200	HAWSP Debt Service 205	Utility Capital Projects 215	Utility Reserves 256	Total Utility Fund
Assets					
Cash and investments	\$ 2,755,022	(2,827,655)	(1,212,237)	4,759,889	3,475,019
Receivables					
Accounts	224,737	-	-	-	224,737
Sales taxes	-	78,665	-	-	78,665
Assessments	-	3,773,816	-	-	3,773,816
Total Receivables	224,737	3,852,481	-	-	4,077,218
Inventory	440,744	-	-	-	440,744
Prepaid	22,263	-	-	-	22,263
Total Assets	\$ 3,442,766	1,024,826	(1,212,237)	4,759,889	8,015,244
Liabilities					
Accounts payable	\$ 59,080	-	9,843	-	68,923
Accrued payroll and related liabilities	19,662	-	-	-	19,662
Customer deposits	38,205	-	-	-	38,205
Total Liabilities	116,947	-	9,843	-	126,790
Deferred Inflows of Resources					
Deferred assessments	-	3,773,816	-	-	3,773,816
Total Liabilities and Deferred Inflows of Resources	116,947	3,773,816	9,843	-	3,900,606
Fund Balances (Deficits)					
Nonspendable - inventory and prepaid	463,007	-	-	-	463,007
Assigned - water and sewer	2,862,812	(2,748,990)	(1,222,080)	4,759,889	3,651,631
Total Fund Balances (Deficits)	3,325,819	(2,748,990)	(1,222,080)	4,759,889	4,114,638
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ 3,442,766	1,024,826	(1,212,237)	4,759,889	8,015,244

City of Homer, Alaska
Utility Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended December 31, 2018	Budget	Actual	Variance
Revenues			
Sales taxes	\$ 1,284,071	\$ 1,244,495	\$ (39,576)
Intergovernmental	-	47,782	47,782
Charges for services:			
Water charges and connection fees	1,944,737	1,897,764	(46,973)
Sewer charges and connection fees	1,797,681	1,795,014	(2,667)
Total charges for services	3,742,418	3,692,778	(49,640)
Water and sewer special assessments	-	543,600	543,600
Investment income	1,003	35,810	34,807
Total Revenues	5,027,492	5,564,465	536,973
Expenditures			
Water:			
Administration	603,754	456,036	147,718
Treatment plant	533,568	546,384	(12,816)
Water system testing	55,803	57,047	(1,244)
Pumping stations	112,330	106,704	5,626
Distribution system	303,668	308,637	(4,969)
Water reservoir	45,944	50,383	(4,439)
Water meters	184,333	156,729	27,604
Water hydrants	184,290	321,870	(137,580)
Total water	2,023,690	2,003,790	19,900
Sewer:			
Administration	380,446	375,000	5,446
Sewer plant operations	572,039	600,978	(28,939)
Sewer system testing	66,007	69,072	(3,065)
Sewer lift stations	186,020	172,068	13,952
Collection system	270,471	277,173	(6,702)
Total Sewer	1,474,983	1,494,291	(19,308)
Debt service:			
Principal	889,626	892,157	(2,531)
Interest	154,064	153,551	513
Total debt service	1,043,690	1,045,708	(2,018)
Capital outlay	450,500	923,589	(473,089)
Total Expenditures	4,992,863	5,467,378	(474,515)
Excess of Revenues Over (Under) Expenditures	34,629	97,087	62,458
Other Financing Sources (Uses)			
Transfers in	92,222	210,662	118,440
Transfers out	(314,919)	-	314,919
Net Change in Fund Balance	<u>\$ (188,068)</u>	307,749	<u>\$ 495,817</u>
Fund Balance, beginning		3,806,889	
Fund Balance, ending		<u>\$ 4,114,638</u>	

City of Homer, Alaska

Utility Special Revenue Fund

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Deficits)

<i>Year Ended December 31, 2018</i>	Utility Operations 200	HAWSP Debt Service 205	Utility Capital Projects 215	Utility Reserves 256	Total Utility Fund
Revenues					
Sales taxes	\$ -	1,244,495	-	-	1,244,495
Intergovernmental	47,782	-	-	-	47,782
Charges for services:					
Water charges and connection fees	1,897,764	-	-	-	1,897,764
Sewer charges and connection fees	1,795,014	-	-	-	1,795,014
Total charges for services	3,692,778	-	-	-	3,692,778
Water and sewer special assessments	-	543,600	-	-	543,600
Investment income	35,810	-	-	-	35,810
Total Revenues	3,776,370	1,788,095	-	-	5,564,465
Expenditures					
Water:					
Administration	456,036	-	-	-	456,036
Treatment plant	546,384	-	-	-	546,384
Water system testing	57,047	-	-	-	57,047
Pumping stations	106,704	-	-	-	106,704
Distribution system	308,637	-	-	-	308,637
Water reservoir	50,383	-	-	-	50,383
Water meters	156,729	-	-	-	156,729
Water hydrants	184,561	137,309	-	-	321,870
Total water	1,866,481	137,309	-	-	2,003,790
Sewer:					
Administration	375,000	-	-	-	375,000
Sewer plant operations	600,978	-	-	-	600,978
Sewer system testing	69,072	-	-	-	69,072
Sewer lift stations	172,068	-	-	-	172,068
Collection system	277,173	-	-	-	277,173
Total Sewer	1,494,291	-	-	-	1,494,291
Debt service:					
Principal	-	892,157	-	-	892,157
Interest	2,018	151,533	-	-	153,551
Total debt service	2,018	1,043,690	-	-	1,045,708
Capital outlay	-	-	216,007	707,582	923,589
Total Expenditures	3,362,790	1,180,999	216,007	707,582	5,467,378
Excess of Revenues Over (Under)					
Expenditures	413,580	607,096	(216,007)	(707,582)	97,087
Other Financing Sources (Uses)					
Transfers in	93,461	-	-	117,201	210,662
Transfers out	(473,040)	-	-	473,040	-
Net Change in Fund Balances	34,001	607,096	(216,007)	(117,341)	307,749
Fund Balances (Deficits), beginning	3,291,818	(3,356,086)	(1,006,073)	4,877,230	3,806,889
Fund Balances (Deficits), ending	\$ 3,325,819	(2,748,990)	(1,222,080)	4,759,889	4,114,638

Port of Homer Enterprise Fund

Enterprise Funds account for operations that are financed and operated in a manner similar to private business operations. The City of Homer utilizes one Enterprise Fund.

Port of Homer – This fund accounts for the operations of the port and harbor.

City of Homer, Alaska
Port of Homer Enterprise Fund
Statement of Net Position

<i>December 31,</i>	2018	2017
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 1,426,146	\$ 1,588,940
Receivables:		
Accounts, net of allowance for doubtful accounts of \$93,729 (\$149,250 in 2017)	242,443	139,964
State and federal grants	233,305	7,514
Inventory	13,419	11,359
Prepaid items	45,403	17,683
Total Current Assets	1,960,716	1,765,460
Restricted Cash and Investments		
Bond reserves	290,100	312,725
Property, Plant and Equipment		
Property, plant and equipment in service	73,246,017	72,817,865
Land and land improvements	15,804,641	15,254,041
Construction work in progress	582,682	284,585
Less accumulated depreciation	(37,172,348)	(35,282,037)
Net Property, Plant and Equipment	52,460,992	53,074,454
Total Assets	54,711,808	55,152,639
Deferred Outflows of Resources:		
Pension related	163,549	140,695
OPEB related	113,617	-
Total Deferred Outflows of Resources	277,166	140,695
Total Assets and Deferred Outflows of Resources	\$ 54,988,974	\$ 55,293,334

City of Homer, Alaska
Port of Homer Enterprise Fund
Statement of Net Position, continued

<i>December 31,</i>	2018	2017
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 237,029	\$ 165,248
Accrued payroll and related liabilities	21,434	21,428
Accrued leave	96,000	88,000
Accrued interest payable	11,790	12,321
General obligation bonds payable	145,000	140,000
Prepaid berth rentals and deposits	1,031,144	965,199
Unearned lease revenue	18,000	18,000
Unearned grant revenue	-	151,813
Interfund loan	66,939	62,091
Total Current Liabilities	1,627,336	1,624,100
Noncurrent Liabilities, net of current portion:		
Unearned lease revenue	162,000	180,000
Interfund loan	279,026	77,802
Accrued leave long term	164,321	132,436
General obligation bonds payable including bond premium	3,261,150	3,430,876
Net pension liabilities	1,878,282	1,894,242
Net OPEB liabilities	384,444	-
Total Noncurrent Liabilities	6,129,223	5,715,356
Total Liabilities	7,756,559	7,339,456
Deferred Inflows of Resources:		
Pension related	47,141	205,163
OPEB related	146,227	-
Total Deferred Inflows of Resources	193,368	205,163
Net Position		
Net investment in capital assets	49,054,842	49,797,275
Unrestricted (deficit)	(2,015,795)	(2,048,560)
Total Net Position	47,039,047	47,748,715
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 54,988,974	\$ 55,293,334

City of Homer, Alaska

Port of Homer Enterprise Fund

Statement of Revenues, Expenses, and Changes in Net Position

<i>Year Ended December 31,</i>	2018	2017
Operating Revenues		
Harbor	\$ 2,835,577	\$ 2,705,943
Main dock	290,805	317,702
Fish dock	558,664	478,678
Deep water dock	233,948	208,833
Rents, leases and storage	497,066	437,607
Fish grinder	7,975	6,694
Total Operating Revenues	4,424,035	4,155,457
Operating Expenses		
Harbor	1,634,736	1,777,958
Main dock	84,028	92,308
Fish dock	561,983	615,396
Deep water dock	213,511	178,346
Fish grinder	27,313	14,214
Administration	1,159,651	1,370,568
Depreciation	2,208,536	2,364,813
Total Operating Expenses	5,889,758	6,413,603
Operating Loss	(1,465,723)	(2,258,146)
Nonoperating Revenues (Expenses)		
Investment income	11,284	2,891
Interest expense	(131,965)	(130,874)
State PERS relief	50,398	45,007
Other income	118,995	152,109
Cruise ship tax	214,878	-
Fish tax	62,069	46,692
Net Nonoperating Revenues (Expenses)	325,659	115,825
Loss Before Transfers and Capital Contributions	(1,140,064)	(2,142,321)
Transfers in (out)	462,483	318,028
Capital contributions	409,138	251,835
Change in Net Position	(268,443)	(1,572,458)
Beginning Net Position, as Restated (Note 14)	47,307,490	49,321,173
Ending Net Position	\$ 47,039,047	\$ 47,748,715

City of Homer, Alaska
Port of Homer Enterprise Fund
Statement of Cash Flows

Year Ended December 31,	2018	2017
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 4,488,496	\$ 4,475,892
Payments to suppliers	(1,810,444)	(2,166,458)
Payments to employees	(1,960,032)	(1,815,864)
Net cash flows from (for) operating activities	718,020	493,570
Cash Flows from (for) Noncapital Financing Activities		
Transfers in (out)	462,483	318,028
Net cash flows from (for) noncapital financing activities	462,483	318,028
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(145,000)	(140,000)
Interest paid on long-term debt	(156,691)	(155,600)
Capital contributions received	31,534	778,142
Cruise ship tax and fish tax received	276,947	46,692
Acquisition of property, plant and equipment	(1,590,068)	(534,036)
Increase in interfund loan	300,000	-
Decrease in interfund loan	(93,928)	(57,648)
Net cash flows from (for) capital and related financing activities	(1,377,206)	(62,450)
Cash Flows from Investing Activities		
Investment income received	11,284	2,891
Net (Decrease) Increase in Cash and Investments	(185,419)	752,039
Beginning Cash and Investments	1,901,665	1,149,626
Ending Cash and Investments	\$ 1,716,246	\$ 1,901,665

City of Homer, Alaska
Port of Homer Enterprise Fund
Statement of Cash Flows, continued

Year Ended December 31,	2018	2017
Reconciliation of Operating Loss to Net Cash		
Flows from (for) Operating Activities		
Operating loss	\$ (1,465,723)	\$ (2,258,146)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:		
Depreciation	2,208,536	2,364,813
Noncash expense - PERS relief	50,398	45,007
Increase in allowance for doubtful accounts	60,045	115,566
Amortization of deferred lease revenue	(18,000)	(18,000)
Miscellaneous nonoperating revenues and expense, net	118,995	152,109
 (Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(162,524)	(26,353)
Inventory	(2,060)	(313)
Prepaid items	(27,720)	15,955
Deferred outflows of resources related to pensions	(22,854)	274,335
Deferred outflows of resources related to OPEB	(92,001)	-
 Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	71,781	4,849
Accrued payroll and related liabilities	8,000	(9,836)
Unearned grant revenue	-	55,260
Accrued leave	31,354	(12,206)
Prepaid berth rentals and deposits	65,945	41,853
Net pension liability	(15,960)	(430,572)
Net OPEB liabilities	79,571	-
Deferred inflows of resources related to pensions	(158,022)	179,249
Deferred inflows of resources related to OPEB	(11,741)	-
 Net Cash Flows from (for) Operating Activities	 \$ 718,020	 \$ 493,570

City of Homer, Alaska
Port of Homer Enterprise Fund
Combining Schedule of Net Position

	Port & Harbor 400	Capital Projects 415	Fleet Reserve 452	Capital Outlay Reserve 456	Total Port Fund
December 31, 2018					
Assets and Deferred Outflows of Resources					
Current Assets					
Cash and investments	\$ (1,478,293)	(1,683,627)	162,603	4,425,463	1,426,146
Receivables:					
Trade, net of allowance for doubtful accounts	242,443	-	-	-	242,443
State and federal grants	-	233,305	-	-	233,305
Inventory	13,419	-	-	-	13,419
Prepaid items	45,403	-	-	-	45,403
Total Current Assets	(1,177,028)	(1,450,322)	162,603	4,425,463	1,960,716
Restricted Cash and Investments					
Bond reserves	290,100	-	-	-	290,100
Property, plant and equipment:					
Property, plant and equipment in service	73,246,017	-	-	-	73,246,017
Land and land improvements	15,804,641	-	-	-	15,804,641
Construction work in progress	582,682	-	-	-	582,682
Less accumulated depreciation	(37,172,348)	-	-	-	(37,172,348)
Net Property, Plant and Equipment	52,460,992	-	-	-	52,460,992
Total Assets	51,574,064	(1,450,322)	162,603	4,425,463	54,711,808
Deferred Outflows of Resources:					
Pension related	163,549	-	-	-	163,549
OPEB related	113,617	-	-	-	113,617
Total Deferred Outflows of Resources	277,166	-	-	-	277,166
Total Assets and Deferred Outflows of Resources	\$ 51,851,230	(1,450,322)	162,603	4,425,463	54,988,974

City of Homer, Alaska
Port of Homer Enterprise Fund
Combining Schedule of Net Position, continued

	Port & Harbor	Capital Projects	Fleet Reserve	Capital Outlay Reserve	Total Port Fund
December 31, 2018	400	415	452	456	
Liabilities, Deferred Inflows of Resources, and Net Position					
Liabilities					
Current Liabilities					
Accounts payable	\$ 60,538	160,127	-	16,364	237,029
Accrued payroll and related liabilities	21,434	-	-	-	21,434
Accrued leave	96,000	-	-	-	96,000
Accrued interest payable	11,790	-	-	-	11,790
General obligation bonds payable	145,000	-	-	-	145,000
Prepaid berth rentals and deposits	1,031,144	-	-	-	1,031,144
Unearned lease revenue	18,000	-	-	-	18,000
Interfund loan	66,939	-	-	-	66,939
Total Current Liabilities	1,450,845	160,127	-	16,364	1,627,336
Noncurrent Liabilities, net of current portion:					
Unearned lease revenue	162,000	-	-	-	162,000
Interfund loan	279,026	-	-	-	279,026
Accrued leave long term	164,321	-	-	-	164,321
General obligation bonds payable including bond premium	3,261,150	-	-	-	3,261,150
Net pension liabilities	1,878,282	-	-	-	1,878,282
Net OPEB liabilities	384,444	-	-	-	384,444
Total Noncurrent Liabilities	6,129,223	-	-	-	6,129,223
Total Liabilities	7,580,068	160,127	-	16,364	7,756,559
Deferred Inflows of Resources:					
Pension related	47,141	-	-	-	47,141
OPEB related	146,227	-	-	-	146,227
Total Deferred Inflows of Resources	193,368	-	-	-	193,368
Net Position					
Net investment in capital assets	49,054,842	-	-	-	49,054,842
Unrestricted (deficit)	(4,977,048)	(1,610,449)	162,603	4,409,099	(2,015,795)
Total Net Position	44,077,794	(1,610,449)	162,603	4,409,099	47,039,047
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 51,851,230	(1,450,322)	162,603	4,425,463	54,988,974

City of Homer, Alaska
Port of Homer Enterprise Fund
Combining Schedule of Revenues, Expenses and Changes in Net Position (Deficits)

	Port & Harbor 400	Capital Projects 415	Fleet Reserve 452	Capital Outlay Reserve 456	Cruise Ship Landing Tax 460	Total Port Fund
Year Ended December 31, 2018						
Operating Revenues						
Harbor	\$ 2,835,577	-	-	-	-	2,835,577
Main dock	290,805	-	-	-	-	290,805
Fish dock	558,664	-	-	-	-	558,664
Deep water dock	233,948	-	-	-	-	233,948
Rents, leases and storage	497,066	-	-	-	-	497,066
Fish grinder	7,975	-	-	-	-	7,975
Total Operating Revenues	4,424,035	-	-	-	-	4,424,035
Operating Expenses						
Harbor	1,536,540	2,445	111	95,640	-	1,634,736
Main dock	84,028	-	-	-	-	84,028
Fish dock	561,983	-	-	-	-	561,983
Deep water dock	213,511	-	-	-	-	213,511
Fish grinder	27,313	-	-	-	-	27,313
Administration	1,159,651	-	-	-	-	1,159,651
Depreciation	2,208,536	-	-	-	-	2,208,536
Total Operating Expenses	5,791,562	2,445	111	95,640	-	5,889,758
Operating Loss	(1,367,527)	(2,445)	(111)	(95,640)	-	(1,465,723)
Nonoperating Revenues (Expenses)						
Investment income	11,284	-	-	-	-	11,284
Interest expense	(131,965)	-	-	-	-	(131,965)
State PERS relief	50,398	-	-	-	-	50,398
Other income	105,955	12,850	-	190	-	118,995
Cruise ship tax	-	-	-	-	214,878	214,878
Fish tax	62,069	-	-	-	-	62,069
Net Nonoperating Revenues (Expenses)	97,741	12,850	-	190	214,878	325,659
Income (Loss) Before Transfers and Capital Contributions	(1,269,786)	10,405	(111)	(95,450)	214,878	(1,140,064)
Transfers in (out)	1,186,534	(530,104)	11,500	29,454	(234,901)	462,483
Capital contributions	-	409,138	-	-	-	409,138
Change in Net Position	(83,252)	(110,561)	11,389	(65,996)	(20,023)	(268,443)
Beginning Net Position, as Restated (Note 14)	44,161,046	(1,499,888)	151,214	4,475,095	20,023	47,307,490
Ending Net Position	\$ 44,077,794	(1,610,449)	162,603	4,409,099	-	47,039,047

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Internal Service Funds

Internal Service Funds account for the financing of goods or services provided to other City departments on a cost-reimbursement basis.

Health Insurance Fund – This fund accounts for the cost of medical, dental, vision insurance activities.

Leave Cash-out Fund – This fund accounts for anticipated employee leave cash outs.

City of Homer, Alaska
Internal Service Funds
Combining Statement of Net Position

<i>December 31, 2018</i>	Health Insurance	Leave Cash-out	Total
Current Assets			
Cash and investments	\$ 3,610	\$ 120,604	\$ 124,214
Liabilities and Net Position			
Current Liabilities			
Accounts Payable	54	-	54
Net Position			
Unrestricted	3,556	120,604	124,160
Total Liabilities and Net Position	\$ 3,610	\$ 120,604	\$ 124,214

City of Homer, Alaska

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Net Position

<i>Year Ended December 31, 2018</i>	Health Insurance	Leave Cash-out	Total
Operating Revenues			
Interfund charges	\$ 1,621,275	\$ 238,969	\$ 1,860,244
Employee health contributions	173,958	-	173,958
Total Operating Revenues	1,795,233	238,969	2,034,202
Operating Expenses			
Salaries and benefits	-	181,960	181,960
Insurance premiums	1,558,692	-	1,558,692
Administration	25,360	-	25,360
Employee incentive fees	110,988	-	110,988
Total Operating Expenses	1,695,040	181,960	1,877,000
Transfers out	(1,000,000)	-	(1,000,000)
Change in Net Position	(899,807)	57,009	(842,798)
Beginning Net Position	903,363	63,595	966,958
Ending Net Position	\$ 3,556	\$ 120,604	\$ 124,160

City of Homer, Alaska
Internal Service Funds
Combining Statement of Cash Flows

Year Ended December 31, 2018	Health Insurance	Leave Cash-out	Total
Cash Flows from (for) Operating Activities			
Receipts from interfund services provided and employee contributions	\$ 1,795,233	\$ 238,969	\$ 2,034,202
Payments to employees	(110,988)	(181,960)	(292,948)
Payments for insurance, claims, and administration	(1,583,998)	-	(1,583,998)
Net cash flows from (for) operating activities	100,247	57,009	157,256
Cash Flows from (for) Noncapital Financing Activities			
Transfers out	(1,000,000)	-	(1,000,000)
Net Increase in Cash and Investments	(899,753)	57,009	(842,744)
Cash and Investments, beginning	903,363	63,595	966,958
Cash and Investments, ending	\$ 3,610	\$ 120,604	\$ 124,214
Reconciliation of Operating Income to Net Cash Flows from (for) Operating Activities			
Operating income	\$ 100,193	\$ 57,009	\$ 157,202
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:			
Increase (decrease) in liabilities:			
Accounts payable	54	-	54
Net Cash Flows from (for) Operating Activities	\$ 100,247	\$ 57,009	\$ 157,256

City of Homer, Alaska

600 - Health Insurance Internal Service Fund
Statement of Net Position

<i>December 31,</i>	2018	2017
Assets		
Cash and investments	\$ 3,610	\$ 903,363
Liabilities and Net Position		
Current Liabilities		
Accounts Payable	54	-
Net Position		
Unrestricted	3,556	903,363
Total Liabilities and Net Position	\$ 3,610	\$ 903,363

City of Homer, Alaska

600 - Health Insurance Internal Service Fund
Statement of Revenues, Expenses, and Changes in Net Position

Year Ended December 31,	2018	2017
Operating Revenues		
Interfund insurance charges	\$ 1,621,275	\$ 1,523,647
Employee health contributions	173,958	175,852
Total Operating Revenues	1,795,233	1,699,499
Operating Expenses		
Insurance premiums	1,558,692	1,549,114
Administration	25,360	23,368
Employee incentive fees	110,988	106,696
Total Operating Expenses	1,695,040	1,679,178
Operating Income	100,193	20,321
Transfers out	(1,000,000)	-
Change in Net Position	(899,807)	20,321
Beginning Net Position	903,363	883,042
Ending Net Position	\$ 3,556	\$ 903,363

City of Homer, Alaska

600 - Health Insurance Internal Service Fund
Statement of Cash Flows

<i>Year Ended December 31,</i>	2018	2017
Cash Flows from (for) Operating Activities		
Receipts from interfund services provided and employee contributions	\$ 1,795,233	\$ 1,699,499
Payments for insurance, claims, and administration	(1,583,998)	(1,572,482)
Payments to employees for incentive fees	(110,988)	(106,696)
Net cash flows from (for) operating activities	100,247	20,321
Cash Flows from (for) Noncapital Financing Activities		
Transfers out	(1,000,000)	-
Net (Decrease) Increase in Cash and Investments	(899,753)	20,321
Cash and Investments, beginning	903,363	883,042
Cash and Investments, ending	\$ 3,610	\$ 903,363
Reconciliation of Operating Income to Net Cash Flows from (for) Operating Activities		
Operating income	\$ 100,193	\$ 20,321
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:		
Increase (decrease) in liabilities:		
Accounts payable	54	-
Net Cash Flows from (for) Operating Activities	\$ 100,247	\$ 20,321

City of Homer, Alaska
610 - Leave Cash-out Internal Service Fund
Statement of Net Position

<i>December 31,</i>	2018	2017
Current Assets		
Cash and investments	\$ 120,604	\$ 63,595
Net Position		
Unrestricted	\$ 120,604	\$ 63,595

City of Homer, Alaska

610 - Leave Cash-out Internal Service Fund

Statement of Revenues, Expenses, and Changes in Net Position (Deficit)

<i>Year Ended December 31,</i>	2018	2017
Operating Revenues		
Interfund leave cash-out charges	\$ 238,969	\$ 338,203
Operating Expenses		
Salaries and benefits	181,960	194,724
Change in Net Position	57,009	143,479
Beginning Net Position (Deficit)	63,595	(79,884)
Ending Net Position (Deficit)	\$ 120,604	\$ 63,595

City of Homer, Alaska

610 - Leave Cash-out Internal Service Fund
Statement of Cash Flows

<i>Year Ended December 31,</i>	2018	2017
Cash Flows from (for) Operating Activities		
Receipts from interfund services provided	\$ 238,969	\$ 338,203
Payments to employees	(181,960)	(194,724)
Net cash flows from (for) operating activities	57,009	143,479
Cash Flows from (for) Noncapital Financing Activities		
Increase (decrease) in due to other funds	-	(79,884)
Net Increase in Cash and Investments	57,009	63,595
Cash and Investments, beginning	63,595	-
Cash and Investments, ending	\$ 120,604	\$ 63,595
Reconciliation of Operating Income to Net Cash		
Flows from (for) Operating Activities		
Operating income	\$ 57,009	\$ 143,479

Government Auditing Standard Report



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Honorable Mayor and Members of the City Council
City of Homer, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Homer, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise City of Homer's basic financial statements, and have issued our report thereon dated October 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Homer's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Homer's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Homer's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Homer's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
October 10, 2019

City of Homer, Alaska
Schedule of Findings and Responses
Year Ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes

no

Significant deficiency(ies) identified?

yes

(none reported)

Noncompliance material to financial statements noted?

yes

no

**Section II - Financial Statement Findings Required to be Reported in Accordance with
*Government Auditing Standards***

There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Unaudited Information



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Summary of Prior Audit Findings

Financial Statement Findings

Finding 2017-001 Timely Reconciliation of Books and Records – Material Weakness in Internal Control over Financial Reporting

Status This finding has been resolved.